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ABSTRACT

This report synthesizes the findings from several areas of work undertaken to assess what impact public sector employment has had on both the level and structure of employment. It also examines the impact of the public sector as employer on the labor market from two viewpoints: the level and share of public sector employment and the structure of this employment. First, an operational definition of the regular public sector is provided that has been used for collecting and classifying the data. Second, the findings of the regular public sector studies are summarized, e.g., levels, shares, growth rates of public sector employment and its distribution by various characteristics, as well as its relation to expenditure level. Third, the findings of a study on temporary direct job creation are used to illustrate the extent to which these programs can focus on special employment groups. Fourth, the implications of these two sets of findings for altering the aggregate level of employment are considered. Finally, some implications for altering the structure of employment are presented. (An appendix provides a table illustrating employment in general government in Organisation for Economic Cooperation and Development economies, 1960-1979.) (YLB)

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EMPLOYMENT in the public sector

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One of the most significant shifts in labour markets has been the post-war expansion in the public sector's share of employment. Over the period 1960-1979 the average share of the public sector (defined as general government only) increased from 12 per cent of total employment to 18 per cent in OECD countries. For a subset of Member countries it has proved possible to collect data on a broader definition of the public sector which includes public corporations as well as general government. For these ten countries the total public sector so defined accounted for almost 25 per cent of total employment in 1978.

This report synthesises the findings from several areas of work undertaken by the Secretariat in order to assess what impact public sector employment has had on both the level and structure of employment. It shows that employment in the regular public sector, while varying widely across Member countries, has consistently grown faster than industrial employment and has even outstripped employment growth in private services in a number of countries. In some countries, however, the growth of the public sector's share of total employment has slowed down or even declined in recent years.

The report examines the prospects for varying the level of employment associated with any given level of public expenditure. Different possibilities are explored such as channelling expenditure away from transfers to households and towards more direct job creation programmes. It also examines the possibility of altering the factor mix associated with public expenditures.

Finally, the report examines the implications of public sector growth for the structure of employment. The expansion of public sector employment has had a major impact on female employment and the demand for highly-qualified manpower. As a consequence of these structural trends the stabilization or even reduction of public sector employment growth is likely to have a significant impact on employment prospects for women, part-time workers and post-secondary school graduates.

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I. INTRODUCTION

One of the most pronounced structural shifts occurring in OECD labour markets has been represented by the changing employment shares of the three main sectors. In 1965, civilian employment in the OECD areas was distributed as follows: agriculture 17.3 per cent, industry 36.5 per cent and services (or tertiary) 46.2 per cent. By 1979 the distribution had changed to: 10.4 per cent for agriculture, 34.0 per cent for industry, and 55.6 per cent for the service sector. During the 1970s, agricultural employment declined, industrial employment stagnated, and only the service sector continued to provide net employment growth at an annual rate of 2.5 per cent.

An earlier Secretariat report,(1) in part, began to assess what the employment and labour market implications were of these structural shifts in sectoral employment shares. This report will return to some of these assessments in the concluding sections. But the pursuit of several lines of investigation in that earlier report was seriously hampered by lack of certain data on a major employer in the service sector, namely, government.

Much of the analysis of the service sector to date, therefore, has been based on existing knowledge of the private enterprise sector only. But public sector employment - both its level and structure - is, or can be, conducted within a different behavioural framework, e.g. different motivations and objectives, performance indices, cost and revenue constraints, etc. In an attempt to gain a greater understanding of the public sector as employer, the Secretariat, in its recent programmes of work, has undertaken several studies.

The first piece of work(2) examined direct job creation schemes in Canada, Denmark, Norway, United Kingdom and the United States. These schemes did not involve permanent and regular public sector jobs, but rather were job programmes designed to provide employment opportunities for either structural or conjunctural reasons on a temporary basis outside the regular public service. The study focused on who gets the jobs, what type of work is performed, how many net jobs are created, what happens to participants after their programme involvement, etc. Some of the results of that study will be used in this report.

Further work on job creation in the regular public sector was recently presented to the Working Party of the

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1. A Medium-Term Strategy for Employment and Manpower Policies, OECD, Paris, 1978.
2. Direct Job Creation in the Public Sector, OECD, Paris, 1980.

Manpower and Social Affairs Committee on Employment. This provides data on the levels and growth rates of public sector employment in Member countries, presents data on the broad functional distribution of this employment, its breakdown by sex and part-time/full-time positions, and examines the relationship between public employment and public expenditure.

Other preliminary work on the characteristics of employment in the public sector provides information on wage and salary levels, occupational breakdowns, the education level of employees, access to public sector jobs, and other conditions of work. Finally, ongoing work on the "third sector" attempts to assess activities and employment opportunities in the newly emerging but rapidly growing area which partly belongs to the public and partly to the private sector.

The present report is an attempt to synthesise this previous work and to examine the impact of the public sector as employer on the labour market from two viewpoints: (i) the level and share of public sector employment; and (ii) the structure of this employment. Not only does public sector growth create new jobs, but it can do so selectively among designated disadvantaged groups or regions. Moreover, just by its size today, the public sector can have other impacts on labour markets, e.g. wage levels, conditions of work, as a model for affirmative action and industrial relations practices, etc.

Thus, this synthesis report focuses on a number of elements: trends in public sector employment; public sector expenditures and their relationship to public sector employment; changes in the composition of public sector employment and working conditions; and direct job creation for particular groups of the unemployed.

The structure of the report is as follows. First, an operational definition of the regular public sector is provided which has been used for collecting and classifying the data. Second, the findings of the regular public sector studies are summarised, e.g. levels, shares, growth rates of public sector employment and its distribution by various characteristics, as well as its relation to expenditure levels. Third, the findings of a study on temporary direct job creation are used to illustrate the extent to which these programmes can target on special employment groups. Fourth, the implications of these two sets of findings for altering the aggregate <u>level</u> of employment are considered. Finally, some implications for altering the <u>structure</u> of employment are presented.

II. DEFINITION OF THE REGULAR PUBLIC SECTOR

With respect to regular public sector employment, the definition is that adopted in earlier work of the Secretariat.(1) The public sector is defined as the range of activities covered by general government. This sector, as defined in the System of National Accounts (SNA), covers the various departments and agencies at central, state, provincial and local level which produce non-market goods and services.(2) The main exclusions from a comprehensive coverage of the public sector are government-owned firms and public corporations which produce and sell goods and services in a market, plus a range of non-profit making organisations which are close substitutes for public sector activities. However, since some small-scale government enterprises are included in general government,(3) the boundary line in the SNA between general government and public enterprises is often difficult to establish in practice.

This definition of the public sector covers the traditional public administration and defence functions of government at the central, state and local levels. Also included are the areas of community, social and personal services in the fields of health, education and welfare. Beyond these activities, however, a consideration of public corporations that produce goods and services which are either sold on a market or allocated by non-market criteria raises major difficulties. Such public corporations are important sources of employment in several countries especially in the areas of transport and communications and provision of essential services such as electricity, gas and water. In some countries public corporations are also significant employers in

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1. Public Expenditure Trends, OECD, Paris, 1978.
2. The exact definition covers goods and services produced and sold, "free of charge or at sales prices which do not fully cover their costs of production" (United Nations, A System of National Accounts. New York, 1968, p.79). Social security funds and other non-profit making bodies which are wholly, or mainly, financed by the public authorities are also included.
3. The SNA includes in general government those public enterprises "which mainly produce goods and services for government itself or which primarily sell goods and services to the public, but do not operate on a large scale" (ibid., p.79).

sectors of manufacturing industry. However, the case for including public corporations is weakened by the fact that Member country practices with respect to the nationalisation of enterprises are very different: it is also generally difficult to distinguish such enterprises separately from the rest of the private sector in Member countries' statistics.

There are advantages and disadvantages to adopting any working definition of the public sector. However, for the purposes of consistent data collection, there were two reasons which dictated limiting the coverage to the general government sector. First, this definition is consistent with the SNA; this meant that data from the national accounts of Member countries could be used to make inter-country comparisons. Second, adopting this definition was necessary to permit a study of the relationship between growth in public expenditure and public employment.

Restricting coverage to general government means that the data presented in this report will fail to give a complete picture of the size and growth of regular public sector employment in two respects. First, as noted above, many public corporations and nationalised industries producing non-market goods are excluded from the general government sector though for ten countries it proved possible to collect employment data on this sector as well (see Table A2 in the Appendix). Second, the hiving-off of some government activities, which were previously included in general government as public corporations, may impart a downward bias to the figures over time. Finally, a cautionary note should be sounded about the data base used in this study. The authors of the report on Public Expenditure Trends felt it necessary to insert the following caveat which is also applicable to this study:

> "In spite of two decades of effort at harmonizing internationally the various national statistical reporting systems, there still exists a wide variety of data bases from which this study had to borrow, whose aggregates are only crudely comparable with one another, and institutional differences among countries account for some of the differences in public sector employment patterns." (pp.5-6)

With respect to temporary employment opportunities provided through direct job creation schemes, the definition of public sector employment must be expanded to include, wherever appropriate, those participants covered in the earlier Secretariat study.(4) For the most part, these temporary public positions were created within public sector departments or agencies at the central, state or local level, or with "sponsors" outside the government sector, but of a non-profit nature.

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4. Direct Job Creation in the Public Sector, op.cit.

III. THE FINDINGS: THE REGULAR PUBLIC SECTOR AS EMPLOYER

The available data allow an examination of the growth rates of regular employment and expenditure, as well as some of the characteristics of the jobs and the people holding them. It should be noted at the outset, however, that the quality and extent of the data varies among categories, and in some cases data were only available for one or two countries.

1. Growth of Public Sector Employment in Total Employment

Looking at Table 1, it can be observed that there has been considerable growth in the public employment share since 1960. The unweighted mean share of the public sector (where comparable data were available), increased from 11.6 per cent of total employment in 1960 to almost 18 per cent in 1979.(1) There was a slight tendency for the inter-country variability, as measured by the coefficient of variation, to decline between 1960 and 1965; since then there has been little change in the dispersion of public sector employment shares across countries.

There are, however, very noticeable variations between countries in the size of the public sector's share.(2) The largest shares tend to be clustered among

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1. The observed growth in the public sector's share is somewhat less when judged in terms of the weighted mean. The results showing the weighted mean public sector share for the 13-country sample since 1960 are as follows:

1960	1965	1970	1975	1978	1979
12.8	13.8	15.5	16.8	16.8	16.5

The explanation for the stability in the weighted mean share since 1975 lies in the fact that the public sector's share in the United States has declined steadily over the past four years.

2. Statistical testing reveals that the ranking of Member countries by the size of the public sector's share is very stable over time.

Table 1

SHARE OF THE PUBLIC SECTOR IN TOTAL EMPLOYMENT
1960-1979

(Percentage)

	1960	1965	1970	1975	1978	1979
Australia a)	n.a	22.2	22.9	25.5	26.0	25.9
Austria	10.8	12.0	14.1	16.9	18.3	18.5
Belgium b)	12.2	13.2	13.9	15.2	16.9	17.6
Canada c)	n.a.	17.6d)	19.5	20.3	19.8	18.9
Denmark	n.a.	13.2d)	16.8	23.6	25.5	n.a.
Finland	7.8	9.3	11.8	14.7	17.8	18.1
France	12.1	11.6	12.4	13.7	14.2	n.a.
Germany	8.0	9.8	11.2	13.9	14.5	14.7
Ireland	n.a.	n.a.	11.2	13.4	14.2	14.3
Italy	8.1	9.9	10.9	13.4	14.2	14.3
Japan	n.a.	n.a.	5.8	6.5	6.5	6.5
Luxembourg	n.a.	n.a.	9.7	10.0	11.0	n.a.
Netherlands e)	11.7	11.5	12.1	13.5	14.6	14.7
New Zealand	17.4	17.4	17.7	18.4	19.2	n.a.
Norway e)	12.7f)	13.8	16.4	19.2	20.8	21.1
Portugal	3.9	4.8	6.8	8.1	8.1i)	n.a.
Spain	n.a.	6.6	7.1	10.0	12.3	12.6
Sweden	12.8	15.3	20.6	25.5	29.0	29.8
Switzerland	6.3	6.7	7.9	9.4	10.1	10.2
United Kingdom	14.9h)	15.7	18.0	21.0	21.4	21.5
United States	15.7	16.7	18.0	18.0	16.8	16.5
Mean (unweighted) g)	11.6	12.5 (12.5)	14.2 (14.3)	16.4 (16.7)	17.5 (17.8)	17.7 (18.0)
Coefficient of variation(%)	28	24 (27)	25 (27)	24 (26)	25 (26)	26 (26)

a) Australian data not directly comparable since the coverage is somewhat broader than general government. Figures adjusted for breaks in the series in 1966 and 1971.
b) Figures adjusted for a break in the series in 1970.
c) Figures adjusted for a break in the series in 1975.
d) 1966.
e) Data are in man-years.
f) 1962.
g) Summary statistics are calculated for a sample of 13 countries (excluding Australia), for which data were available for all years. For France and New Zealand 1978 values were used in the 1979 calculation. Figures in parentheses are for a sample of 16 countries; the additions are Canada, Denmark and Spain.
h) 1961.
i) 1977.
n.a.: Data not available.

Source: National Accounts of OECD Countries (unpublished details); consistent data from national sources. For details see the country notes to Table A1 of the Appendix.

the Scandinavian countries (excluding Finland), where the public sector currently accounts for between 20-30 per cent of total employment. The United Kingdom is the only other country where the public sector employs at least 20 per cent of the workforce. At the other extreme, Japan, Portugal and Switzerland have the lowest shares of employment in the public sector, accounting for only 7-10 per cent of total employment in 1979. Austria, Belgium, Canada, Finland and the United States have public sector employment shares which are clustered around the OECD average while France, Germany, Ireland, Italy, the Netherlands and Spain all have below-average shares in recent years.

Annual time-series data on each country's employment share are also graphed (see Chart 1). Visual inspection reveals several important patterns about the growth of public sector employment over time. First, while the average share of the public sector in total OECD employment has increased over the past twenty years, there is a marked diversity of experience among individual Member countries. The largest absolute increase was recorded in Sweden where the share more than doubled between 1960 and 1979. Indeed, the other Scandinavian countries also recorded very rapid growth in the public sector's share. There are also several countries - Japan, New Zealand, Portugal - where the public sector's share appears to have been very stable over time. In the United States the public sector's share has risen by one percentage point when the level in 1960 is compared with the position in 1979. However, the small increase covers two separate periods of expansion and subsequent decline in the employment share. In the mid-1960s the share rose rapidly to a record level of 18 per cent in 1968-69,(3) remained at this level for several years and then declined in 1973-74. There was a sharp recovery in the share in 1975 but since then it has declined steadily by more than one percentage point.

Chart 1 also reveals that annual fluctuations about the trend in the share appear to be very small for most of the countries. Finally, there appears to be a levelling-off of the public sector's share in several Member countries in the mid-1970s which may partly reflect growing pressure on public sector budgets in the aftermath of the 1974-75 recession. This tendency towards stability or even a decline in the public sector's share is most noticeable in the United States and Canada,(4)

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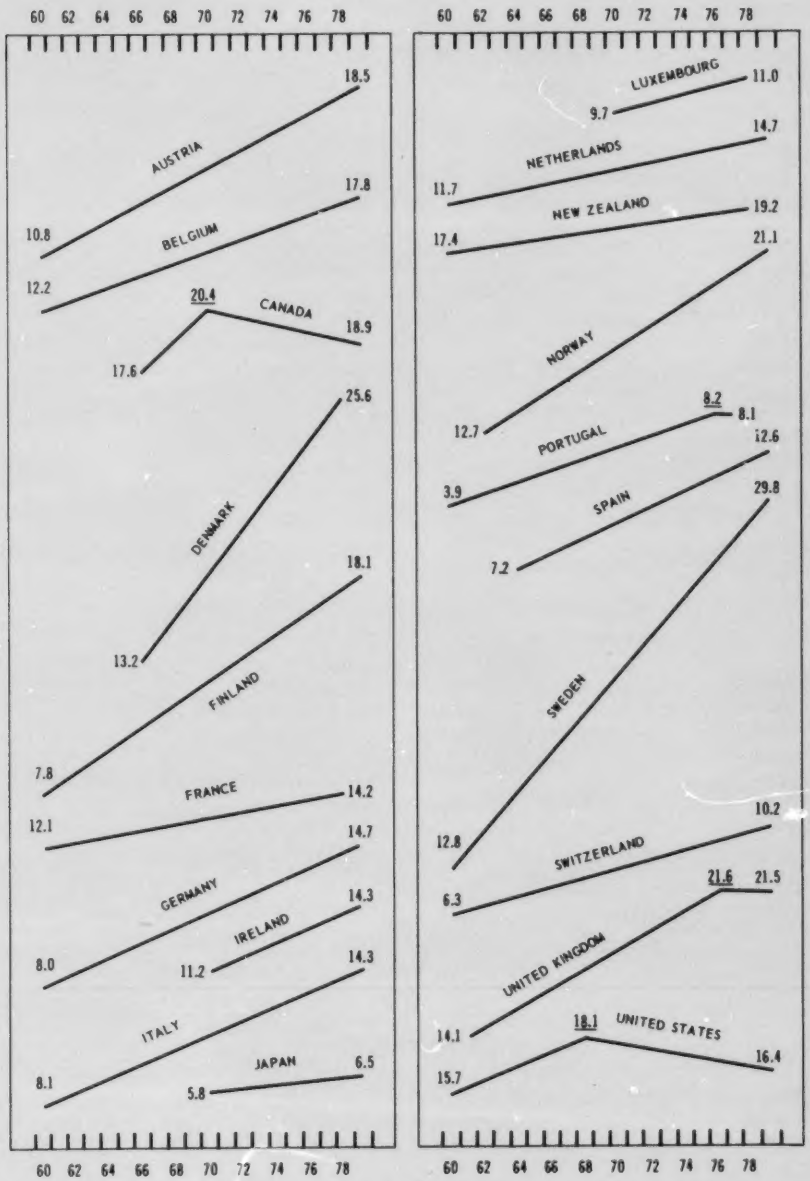
3. This increase in the mid-1960s presumably reflects the marked rise in public expenditure as a proportion of GDP that occurred at the same time (see Public Expenditure Trends, Chart 1) with the Vietnam War and the introduction of the "Great Society" programmes.

4. Though in the case of Canada, the slowdown appears to date from the beginning of the 1970s.

Chart 1

EMPLOYMENT IN GENERAL GOVERNMENT
(as percentage of total employment)



Note : Figures underlined represent peaks. Data for Belgium and Canada adjusted for breaks in the series.

but is also apparent in the United Kingdom, Germany, Portugal, Switzerland and Japan. The results of a statistical trend analysis confirmed what a visual interpretation of Chart 1 suggests: there has been a significant deceleration and even a decline in the public sector's share in recent years in some Member countries.

2. Comparison of Public and Private Sector Employment Growth

The Introduction drew attention to the unresolved issue of the relative contributions of the public and private sectors to the observed growth in service sector employment. Table 2 attempts to clarify this issue by presenting compound annual growth rates of employment by broad sectors for selected time periods. First, the growth rates for both public and private sectors are compared where the latter sector is simply defined as total employment less employment in general government. Second, within the private sector so defined, an attempt was made to split out industry and private services wherever possible; using national accounts sources this was possible for 11 of the 18 countries in Table 2.

The major role of the public sector in sustaining employment growth in most countries comes out strongly from the table. There are only two episodes where public sector employment actually declined - France and the United Kingdom over the period 1960-1965.(5) The contribution of the private sector to employment growth is much more variable. More than half the countries have recorded declines in private sector employment since 1970 and only in the United States and Canada has there been sustained growth since 1960 (see also Chart 2). Employment in the industrial sector has declined in all cases since 1973 with the sole exception of the United States.

Employment in private services has tended to grow over the whole period just as in the public sector. However, a comparison of the growth rates suggests some tendency for the public sector to have expanded employment growth faster than private services. More rapid growth of the public rather than the private element within the services sector has been recorded in Austria, Denmark,

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5. In the case of the United Kingdom this decline in public sector employment is more apparent than real since it simply reflects the transfer in status of the Post Office. The annual average growth rate of employment in the public sector over the period 1961-1965, which is free from the distortion introduced by this change in coverage, is 2 per cent. The recorded decline in France appears to be mainly due to the very rapid rundown in the armed forces in the early 1960s.

Table

AVERAGE ANNUAL GROWTH RATES OF PUBLIC AND

	1960 - 1965				1965 - 1970			
	Public sector	Industry	Private services	Private sector	Public sector	Industry	Private services	Private sector
Australia	2.6	n.a.	n.a.	n.a.	3.6	n.a.	n.a.	2.1
Austria	2.0	0.2	1.8	-0.4	2.5	-0.9	0.4	-1.2
Belgium	2.5	1.7	1.5	0.7	1.8	0.4	2.2	0.5
Canada	n.a.	n.a.	n.a.	n.a.	(4.8	n.a.	n.a.	1.7)[a]
Denmark	n.a.	n.a.	n.a.	n.a.	(6.7	0.6	0.1	-0.5)[a]
Finland	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
France	-0.5	n.a.	n.a.	0.7	2.2	n.a.	n.a.	0.7
Germany	4.6	1.3	0.5	0.1	2.5	-0.1	0.6	-0.5
Italy	3.2	n.a.	n.a.	-1.2	2.2	n.a.	n.a.	0.1
Japan	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Luxembourg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Netherlands[f]	1.0	2.1	2.5	1.5	1.9	-0.9	3.5	0.7
Norway[f]	(3.5	n.a.	n.a.	0.4)[b]	4.2	n.a.	n.a.	0.1
Portugal	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Sweden	4.5	1.5	1.1	0.2	6.9	-0.3	1.1	-0.5
Switzerland	3.[c]	3.0	3.3	2.1	3.9	-0.2	2.5	0.5
United Kingdom	-0.1	1.1	0.8	1.0	2.5	-0.8	-0.4	-0.9
United States[g]	2.9	3.6	2.1	1.5	3.9	1.5	2.9	1.9

a) Rates are 1966-1970.
b) Rates are 1962-1965.
c) Rates are 1971-1973.
d) Rates are 1973-1976.
e) Rates are 1973-1977.
f) Rates are in man-years.
g) For the years 1960-1970, mining and quarrying are included in Industry.

2

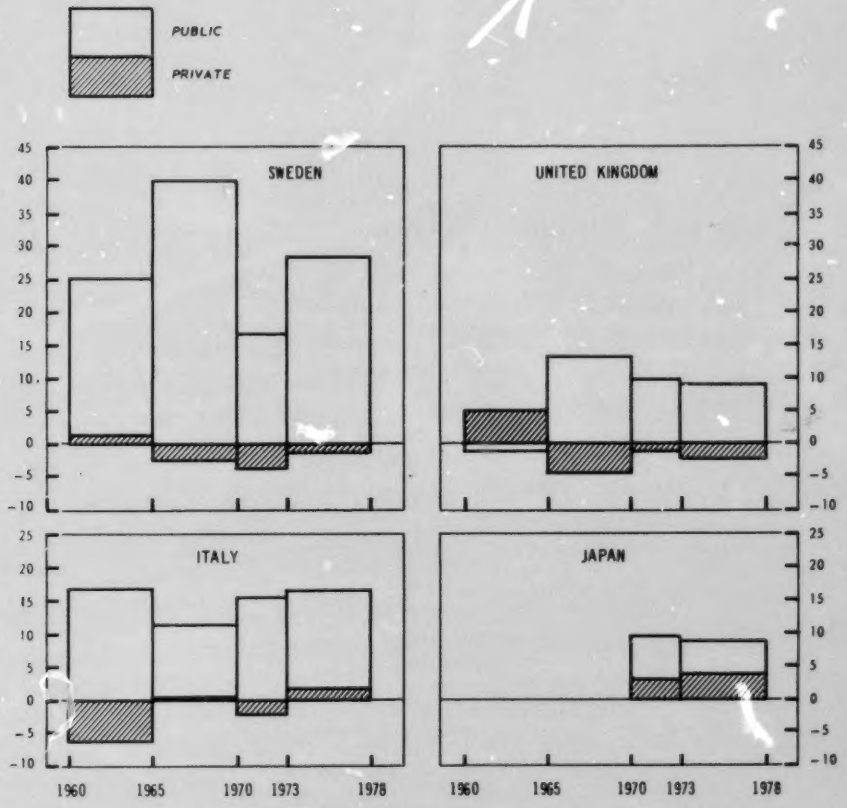
PRIVATE SECTOR EMPLOYMENT, SELECTED PERIODS

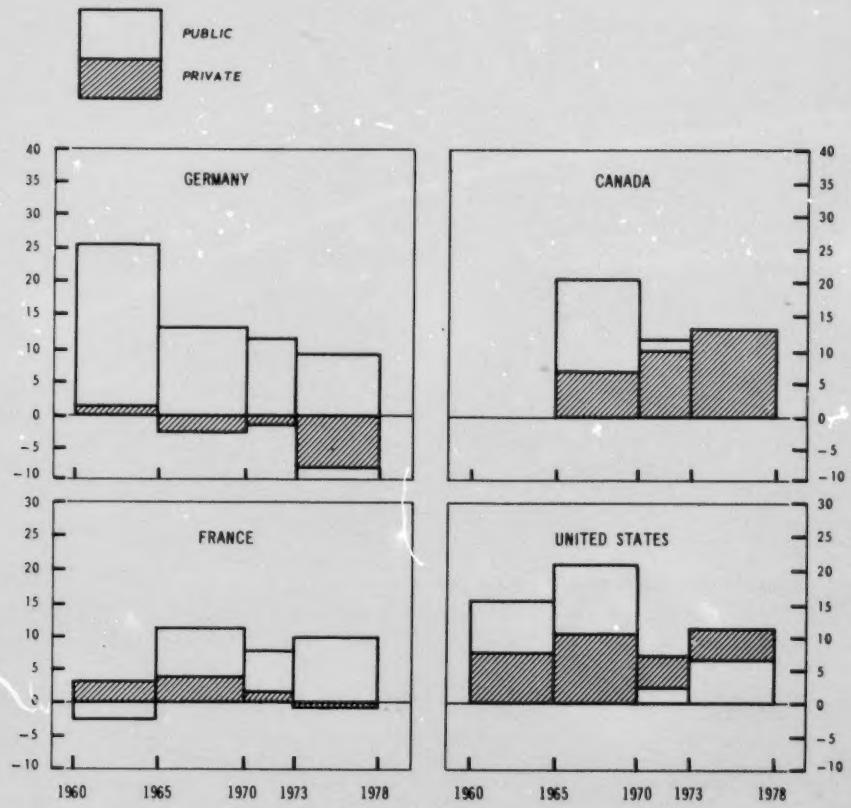
1970-1973				1973-1978			
Public sector	Industry	Private services	Private sector	Public sector	Industry	Private services	Private sector
2.8	n.a.	n.a.	2.1	2.9	n.a.	n.a.	-0.1
4.5	1.6	1.8	0.6	3.8	-0.8	1.8	-0.3
2.4	-0.4	2.2	0.5	2.9	-2.5	1.2	-0.7
3.8	n.a.	n.a.	3.3	3.6	n.a.	n.a.	3.6
7.1	-0.8	0.7	-0.5	(5.1	n.a.	n.a.	-0.8)[e]
5.0	n.a.	n.a.	0.4	5.5	n.a.	n.a.	-1.9
2.5	n.a.	n.a.	0.5	1.9	n.a.	n.a.	-0.1
3.8	-0.5	0.9	-0.4	1.8	-2.1	0.1	-1.6
5.0	n.a.	n.a.	-0.6	3.1	n.a.	n.a.	0.3
3.1	2.7	2.8	1.0	1.7	-0.5	2.4	0.7
2.7	4.2	3.6	3.2	(3.1	-0.4	1.2	-0.2)[e]
2.1	-2.1	1.4	-0.4	2.4	-2.2	1.0	-0.5
4.5	n.a.	n.a.	-0.3	3.6	n.a.	n.a.	0.8
(3.0	1.6	-0.8	-0.9)[c]	(0.9	-1.5	0.3	-0.2)[d]
5.2	-1.5	-0.5	-1.2	5.1	-0.9	0.5	-0.2
3.6	-0.4	2.5	0.6	1.7	-3.7	-0.3	-2.0
3.1	-1.2	1.0	-0.3	1.7	-1.4	0.6	-0.5
(1.0	2.7	3.4	3.5)[c]	1.3	0.9	2.1	2.2

Note: Industry comprises manufacturing, electricity, gas, water and construction. Private services includes all employment, excluding those of producers of government services, in ISIC divisions 6-9; wholesale and retail trade, transport and communication, finance, insurance, real estate and business services, and community, social and personal services. Producers of private non-profit services to households and domestic servants are also included in private services. It should be noted that the sum total of employment in industry and private services does not totally exhaust private sector employment which also includes employment in agriculture and mining and quarrying.

Chart 2

PERCENTAGE INCREASE IN PUBLIC AND IN PRIVATE SECTOR EMPLOYMENT OVER SELECTED PERIODS




PUBLIC
PRIVATE
GERMANY
CANADA
FRANCE
UNITED STATES
40
35
30
25
20
15
10
5
0
-5
-10
1960
1965
1970
1973
1978

Germany, Sweden and the United Kingdom. The United States is the only one of the 11 countries in question where private services have generally expanded employment faster than the public sector, the only exception to this being the period 1960-1970. In the remaining five countries there appears to have been no persistent tendency for employment growth in the public sector to outstrip growth in private services, or vice versa.

3. Public Sector Employment Adjusted to Full-time Equivalents

Thus far the discussion of public sector employment has concentrated on the number of employees without any attempt to adjust the data to full-time equivalents. The concept of full-time equivalents is used to cope with the measurement problems created by the existence of large and varying numbers of part-time workers. In terms of public sector employment, there would be a need for this adjustment if the ratio of part-time to full-time workers in the public sector was significantly higher than the ratio in the private sector. In such a case the failure to adjust employment data for this factor would exaggerate the growth of public sector employment.

There are two facets to this issue which need to be examined. First, is the share of total labour input in the public sector, whether measured in terms of man-hours or full-time equivalents, less than is suggested by the data in Table 1 and Chart 1? Second, is the rate of growth of labour input in the public sector significantly affected by a changing mix of part-time and full-time workers?

It is impossible to give categoric answers to these questions since the necessary data have only been collected for four countries: Denmark, Norway, Sweden and the United States. The data for Denmark (1975-1977 only) and the United States are on a full-time equivalent basis whereas the Swedish data refer to hours worked. The Norwegian data in Table 1 and Chart 1 is in man-years and, therefore, already embodies an adjustment for, among other factors, the numbers of part-time workers. However, the Norwegian authorities supplied the Secretariat with data for the years 1973 to 1977 on the number of persons employed in general government and the total economy. Estimates of the share of public sector employment in 1977 for these four countries, in terms both of numbers employed and full-time equivalents, are presented in Table 3. The results show that the public sector's share of total employment is lower when measured in full-time equivalents: the divergence is greatest in Denmark (10 per cent) and least in Sweden (4 per cent). Thus, discussions about the size of public sector employment which ignore the factor of part-time workers are likely to overstate the absorption of labour by the public sector.

Table 3

ALTERNATIVE MEASURES OF THE SHARE OF PUBLIC SECTOR EMPLOYMENT IN TOTAL EMPLOYMENT, 1977

	Persons	Full-time Equivalents
Denmark	24.1	21.8
Norway	21.1	20.0 a)
Sweden	27.5	26.5 b)
United States	17.1	15.9

a) Data in man-years.
b) Data refer to total hours worked.

The picture is less clearcut if public sector employment growth rates are examined over the period. The annual average growth rate of public employment over the period 1960 to 1978 in the United States is virtually identical whether computed in terms of persons or full-time equivalents. This is not so in the three Scandinavian countries where the annual average growth rates of employment are lower when employment is measured in full-time equivalents, man-years or total hours worked. The annual average growth rates of employment in Norway over the period 1973-1977 are 6.1 per cent in terms of persons compared to 3.5 per cent in man-years. Annual average growth rates of employment in Denmark over the period 1975-1977 are 3.2 per cent in terms of persons compared to 2.6 per cent in full-time equivalents. Finally, the growth rate of public employment in Sweden over the period 1960-1978 is 4 per cent per annum measured in hours worked compared to 5.5 per cent per annum in terms of persons employed. All of which suggests that part-time employment in the public sector in these countries is on the increase.

4. Growth of Part-time Work in the Public Sector

Unfortunately, data on part-time employment was only available for four countries (see Table 4). Even in this small sample there appear to be wide divergencies in the share of part-time working in the public sector, though some part of this simply reflects different national definitions of part-time work. It is noticeable that Sweden, which has the largest share of employment in the public sector among Member countries, also has a very high proportion of part-time workers in this sector. Part-time workers in Sweden account for about one-third of all public sector employees in recent years, compared to one-quarter in the United Kingdom, one-fifth in Spain and one-seventh in the United States.

Table 4

PROPORTION OF PART-TIME(a) WORKERS IN PUBLIC SECTOR EMPLOYMENT, 1965-1977

Country	1965	1970	1975	1977
Spain	24.0	28.3	26.2	20.6
Sweden	25.7	29.7	32.2	34.2
United Kingdom	n.a.	23.5b)	27.7	27.4
United States	12.4c)	13.3	14.5	14.5

a) In both Sweden and the United States, part-time workers are defined as persons who work less than 35 hours a week. In the United Kingdom the definition covers persons normally working for not more than 30 hours a week. In Spain the definition of a part-time worker has changed over the period as follows: 1964-1971: persons who worked less than 40 hours a week; 1972-1975: persons who worked less than 37 hours a week; and 1976: persons who worked less than 33 hours a week.

b) 1971.

c) 1968.

Sources: Data supplied to the Secretariat by national authorities. Swedish data based on Labour Force Survey; United States data based on tabulations from Current Population Survey.

The public sector in these countries is also more intensive in its use of part-time work than the private sector. In 1977 part-time workers only accounted for one-sixth of private sector employment in Sweden and one-fifth of private sector employment in the United Kingdom. There also appears to be an increasing trend towards more part-time work in the public sector over the time period in question. Finally, this growth in part-time employment is mainly concentrated among females. In the United Kingdom females accounted for 91 per cent of all part-time work in the public sector in 1977, whereas the corresponding figure for the United States was 74 per cent.

5. Functional Breakdown of Public Sector Employment

An area of disaggregation for which some data are available is public employment by broad functional area. Four such broad areas were distinguished: (a) Public Administration and Defence; (b) Education; (c) Health; and (d) Welfare. This particular functional classification was chosen because of its overlap with the

Secretariat's work on public expenditure trends.(6) However, only six countries were able to supply such disaggregate employment data and the percentage shares of total public employment absorbed by these functional areas for 1977 only are presented in Table 5.

Table 5

THE COMPOSITION OF PUBLIC SECTOR EMPLOYMENT BY BROAD FUNCTIONAL AREA IN SELECTED COUNTRIES, 1977

Country	The Percentage Share [a] of Total Public Employment in			
	Public Administration and Defence	Education	Health	Welfare
Denmark	14.9	26.6	50.2	
Finland	34.1	24.8	22.9	11.7
Norway	36.9	28.5	25.6	9.0
Sweden	18.6	26.6	30.8	23.9
United Kingdom	25.1	29.5	27.9	n.a.
United States	32.8	39.7	10.5	3.5

a) Totals do not always sum to 100 due to the existence of miscellaneous categories.

Sources: Data supplied to the Secretariat by national authorities. All data, except for Sweden and the United States, are compatible with the public sector employment totals in Table A1 of the Appendix. Swedish data are based on the labour force sample survey while the United States data are based on the Current Population Survey. United Kingdom: Data taken from M. Semple, "Employment in the Public and Private Sectors 1961-78", Economic Trends, November 1979.

The first point to note is the wide degree of disparity in the relative significance of these four sectors across the countries. This is especially true of employment in welfare though some of this probably reflects differing national definitions. For example, the welfare sector in Sweden accounts for almost one-quarter of all employment in general government, whereas in the United States it only accounts for 4 per cent. The health sector is another area in which there are wide divergencies in

6. Public Expenditure on Education, OECD, Paris, July 1976; Public Expenditure on Income Maintenance Programmes, OECD, Paris, July 1976; Public Expenditure on Health, OECD, Paris, July 1977.

employment shares across the countries in this sample. Not surprisingly, in view of the large role of the private sector in this area, the United States has a very low share of public employment in health, whereas Sweden has almost one-third of its public employment in this area. Education is the sector which exhibits the least inter-country variation, though in this area the United States has a significantly larger employment share than the other five countries. Finally, the very patchy evidence (not shown) on trends in these employment shares over time suggests a decline in the employment share of public administration and defence at the expense of health and education in the United Kingdom and education and welfare in the United States.

6. The Relationship Between Public Sector Expenditures and Public Employment

The report on Public Expenditure Trends calculated a simple measure of the demand for public expenditure as the "elasticity" of total public expenditure with respect to GDP over several different time periods. The results showed that (i) this elasticity (measured in current prices) was greater than unity in all Member countries; and (ii) the elasticity values tended to be somewhat higher for the post-1972 period. On the basis of this exercise it seemed worthwhile to calculate elasticities of public sector employment with respect to public expenditure to test whether similar patterns can be observed over time.

Such estimated elasticities could be interpreted as simple measures of the demand for labour by the public sector in response to changes in public expenditure. In that event such elasticities could be used to project possible growth paths of public sector employment given a set of public expenditure forecasts. In addition, the results can also be examined to assess whether the elasticities have shown any tendency to increase since the 1974 slow-down in economic growth. If any such tendency is apparent in the data over the post-1973 period, this could indicate that, in response to high and growing unemployment, the authorities have tended to shift the composition of public expenditure towards greater direct employment creation in the public sector. In this way public sector employment could have an offsetting or stabilizing effect on total employment.(7)

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7. For example, there were six recessions in the United States over the period 1948 to 1975. While private sector employment declined in each recession, total public sector employment rose during each recession, thus stabilizing total employment. It should also be noted that it was the state and local governments which supplied the

(continued on next page)

The most direct approach to estimating a labour demand function for the public sector would be to relate public employment to public sector output (not expenditure) in constant prices together with other relevant explanatory variables such as relative input prices. However, there is a problem in applying this approach that can perhaps be overcome, but with great difficulty; that is, how to define and measure public sector output when most public services are not bought or sold in a market. The conventional practice among Member countries is to rely on input measures as a proxy for volume changes in the national accounts. For example, a measure of labour input is used as the output proxy in the public administration, defence and education sectors. Usually the total wage and salary bill is deflated by a wage-rate index rather than relying directly on indices of employment or hours worked. Such a procedure implies that productivity growth in these sectors is zero. However, in some cases (e.g. Belgium, Germany and Greece) an ad hoc adjustment is made for increased productivity in the public sector. In health there is greater variation in Member countries' practices since some use an index of labour input as an output proxy whereas others rely on more elaborate output proxies, e.g. deflating total medical expenses by some price index, number of prescriptions, number of consultations etc.(8) Thus, with existing measurement conventions it is impossible to construct a satisfactory volume index for the public sector.

Consequently, it was decided to focus on public expenditure. However, there are several difficult conceptual problems in trying to relate trends in public expenditure to public employment over time. First, the employment data are in physical quantities and the public expenditure data in current values. It would be inappropriate to calculate the elasticities using value data on public expenditure as the observed values of the elasticities would be significantly distorted by inflation. The approach adopted here was to disaggregate total public expenditure into three main sub-aggregates: (i) government final consumption expenditure; (ii) transfers and subsidies; and (iii) government gross fixed capital formation. In the SNA there exists a constant price series for government final consumption expenditure.(9) Transfers

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(Note 7 continued)
increases in all but one recession. See W. Ebanks, "The Stabilizing Effects of Government Employment", Explorations in Economic Research, Vol. 3, No.4 (Fall) 1976.

8. For a detailed description and discussion of these practices see T.P. Hill, The Measurement of Real Product, OECD, Paris, 1971.

9. Government final consumption expenditure is deflated in two stages. First, wages and salaries of public employees are deflated by the relevant wage indices or, in the case of a few countries, the base year wage bill is

(continued on next page)

and subsidies, which are mainly to the household sector, in all cases were deflated by the price index of private final consumption expenditure. Finally, government gross fixed capital formation was deflated either by an explicit price index for this sector where it was available or in the remaining cases by the price index of total gross fixed capital formation.

In order to test the sensitivity of public employment to shifts in the composition of public expenditure, elasticities were calculated for three different measures of public expenditure: (a) total public expenditure; (b) total public expenditure less transfers and subsidies; and (c) public final consumption expenditure. Transfers and subsidies were excluded since public expenditure on these items is likely to increase during a recession. Indeed transfers and subsidies have been one of the major growth areas in public expenditure in most Member countries over the past decade.(10) This shift in the pattern of public expenditure towards a growing share of transfer payments is likely to have a minimal direct employment effect in the public sector. Finally, since a very large component of government final consumption expenditure consists of wages and salaries it was thought advisable to separate out this expenditure.

The estimated elasticities for the fourteen Member countries for which adequate time-series data could be compiled are presented in Table 6. The first point to note is that there is typically a less than proportional response of public sector employment to a given increase in total public expenditure at constant prices. The mean elasticity value for this sample of countries implies that a 1 per cent increase in public expenditure is associated with a 0.6 per cent increase in public sector employment. The results suggest, moreover, a great deal of variation in the magnitude of the elasticity across countries, ranging from a low of 0.3 in Japan and the Netherlands to a high of 1.1 in Denmark. Sweden is the only other case where the elasticity is very close to unity indicating that the rapid growth in public expenditure since 1960 has been associated with an equally rapid build-up of public sector employment.(11)

(Note 9 continued)
extrapolated by an index of employment. Second, other goods and services are deflated by appropriate price indices.

10. The OECD average share of transfers and subsidies as a percentage of GDP in current prices rose by 4 points between 1967-1969 and 1974-1976 as against an overall increase of 7 points in the ratio of total public expenditure to GDP over the same period. See Public Expenditure Trends, op.cit., Table 2.

11. The elasticities are generally computed using the numbers of persons employed in the public sector without

(continued on next page)

If transfers and subsidies are excluded from public expenditure, the elasticity typically rises towards unity with a sample mean now of almost 0.8. The degree of inter-country variation also declines somewhat though the ranking of countries does not change very much. Japan and Belgium have the lowest elasticity values while there are now two countries - Denmark and Sweden - where the elasticity exceeds unity while the United States is the only other case where the elasticity is very close to unity.

The final set of calculations relates public employment to real government final consumption expenditure. The estimated elasticities increase in magnitude in virtually all cases compared to the other two public expenditure aggregates. The sample mean elasticity is now 0.83 compared to 0.77 in the case of public expenditure less transfers and subsidies. There is also a noticeable reduction in the degree of inter-country variation as measured by the coefficient of variation.

Finally, an attempt was made to assess whether the 1974-1975 recession and subsequent period of sluggish growth has coincided with a shift in the relationship between public expenditure and public employment. One might expect to observe such a shift if the authorities reacted to the recession by varying the pattern of public expenditure towards employment-supporting activities in the public sector (for example by expanding public work programmes and public sector payrolls). To this end the elasticities were re-estimated for each country over the period up to and including 1973. However, the results (not shown here) did not reveal any systematic differences from the elasticities estimated over the entire period. In a few cases, Austria, Italy and the Netherlands, the elasticities appeared to be larger when the post-1973 observations were included. However, even in these cases, the differences were not very great and the general impression is one of relative stability over these two periods.

Thus, the main conclusions from this examination of the statistical association between public employment and expenditures are four-fold. First, there is typically a significantly less than unitary response of public employment to a given increase in total expenditure in

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(Note 11 continued)
making any attempt to transform these data to a full-time equivalents basis. It is, however, possible to assess the bias introduced by this factor in the cases of Sweden and the United States where additional labour input data in the form of hours worked and full-time equivalents, respectively, are available. The results, shown in parentheses in Table 6, indicate that the elasticity is reduced when allowance is made for the growing share of part-time workers in the public sector.

Table 6

ELASTICITIES OF PUBLIC EMPLOYMENT WITH RESPECT TO VARIOUS MEASURES OF REAL PUBLIC EXPENDITURE
1960-1978

	Time period	Total public expenditure	Total public expenditure minus transfers and subsidies	Government final consumption expenditure
Austria	1964-77	0.676	0.768	0.927
Belgium[1]	1960-78	0.338	0.413	0.433
Canada	1966-78	0.591	0.781	0.810
Denmark	1966-76	1.144	1.433	1.254
France	1970-78	0.377	0.627	0.628
Germany	1960-78	0.592	0.710	0.744
Italy	1960-78	0.542	0.647	0.834
Japan	1970-78	0.258	0.314	0.477
Netherlands	1960-78	0.296	0.570	0.649
Norway	1967-78	0.574	0.725	0.827
Sweden[2]	1960-78	(0.704) 0.943	(0.921) 1.231	(0.948) 1.267
Switzerland[1]	1960-78	0.578	0.819	0.862
United Kingdom	1960-78	0.632	0.816	0.946
United States[3]	1960-78	(0.597) 0.637	(0.898) 0.951	(0.908) 0.962
Mean (unweighted)		0.584	0.772	0.830
Coefficient of variation (%)		41	38	29

1. Public expenditure data on the former System of National Accounts basis.
2. The elasticities in parentheses were calculated using total hours worked in the public sector as the dependent variable.
3. The elasticities in parentheses were calculated using public employment in full-time equivalents as the dependent variable.

The elasticities were derived from log-linear regressions. All coefficients are significant at the 5 per cent level or better.

constant prices. Second, as the magnitude of the response increases the narrower is the measure of public expenditure used. Third, there is little or no evidence that the public employment elasticity has increased during the recent years of growing labour slack. Finally, there is always a significant degree of inter-country variability in the public employment elasticity of public expenditure no matter which definition of public expenditure is used.

7. Growth of Female Employment in the Public Sector

In the Secretariat's earlier publication, A Medium Term Strategy for Employment and Manpower Policies (1978), a relationship between service (particularly public sector) growth and the rapid increase in female participation in the labour force was tentatively put forth. Other commentators have also made this assertion(12) and the data that are now available appear to lend credence to this hypothesis.

Data on the female share of public sector employment in eight countries (see Table 7) throw some light on this issue. Several points can be noted. First, there is a wide differential between the female-intensity of public sector employment across the countries in this sample. Typically, the public sector is very female-intensive in the Scandinavian countries where seven out of every ten workers are female while Japan and Australia are at the other extreme with a ratio of two males to every one female employed in the public sector. Indeed, for this sample of countries there is a positive correlation between the female-intensity of public sector employment and the size of the public sector; the larger the share of public employment in total employment, the greater is the female-intensity of the public sector. Second, there is also a clear tendency for the public sector to become more female-intensive over time. In each of the eight countries the percentage of public sector employment accounted for by females has increased.

As a result of these trends, the ratio of the female share in public sector employment compared to the female share in total employment has increased in most countries. But with the exception of Australia, the increase in this ratio has been slight. And in the Scandinavian countries

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12. For example, the Economic Commission for Europe concludes that in a number of countries part-time female employment has played an important part in the expansion of government employment in the last decade and a half. "Employment in General Government in Industrial Market Economies", Economic Bulletin for Europe, Vol. 30, No.2, 1979, p.66. See also B.C. Job, Monthly Labor Review, September 1978; and P.M. Jackson, "The Public Expenditure Cuts: Rationale and Consequences", Fiscal Studies, March 1980.

Table 7

FEMALE SHARE OF PUBLIC SECTOR EMPLOYMENT
IN SELECTED COUNTRIES
1965-1977

(Percentages)

Country	1965	1970	1975	1977
Australia	19.7	23.9	32.1	33.9
Austria	n.a.	39.9	44.2	45.3
Denmark	61.3 a)	64.5	66.7	n.a.
Japan	n.a.	28.4	29.6	31.8
Norway b)	n.a.	n.a.	64.4	65.7
Sweden c)	65.8	70.8	72.5	73.6
United Kingdom	n.a.	48.8 f)	53.4	54.3
United States d)	40.9	45.4	47.5	49.5

RATIO OF THE FEMALE SHARE OF PUBLIC SECTOR EMPLOYMENT
TO THE FEMALE SHARE OF TOTAL EMPLOYMENT

Australia	0.69	0.76	0.94	0.96
Austria e)	n.a.	1.09	1.14	1.16
Denmark	1.72 a)	1.71	1.63	n.a.
Japan	n.a.	0.72	0.79	0.83
Norway	n.a.	n.a.	1.72	1.67
Sweden	1.80	1.80	1.71	1.69
United Kingdom	n.a.	1.33 f)	1.39	1.40
United States	1.18	1.20	1.20	1.22

a) 1966.
b) Data not in man-years but in numbers employed.
c) Data from Labour Force Sample Survey.
d) Data are annual averages derived from the Current Population Survey.
e) Data refer only to employees.
f) 1971.

Sources:

Australia: J.D. Stanford and P.M. Jackson, The Growth of Public Sector Employment in the United Kingdom and Australia, OECD, Labour Force Statistics;
Austria: Data supplied by WIFO Institute;
Denmark, Norway, the United Kingdom: data compatible with Table A1 supplied to the Secretariat by national authorities;
Sweden, the United States: data which are not fully compatible with Table A1 supplied to the Secretariat by national authorities;
Japan: Annual Report on the Labour Force Survey.

it has declined, although the ratio was very high to begin with. Consequently, while public sector employment growth has obviously contributed to the growth of female employment, especially for part-time jobs, the private service sector has been expanding female employment opportunities as well.

Other studies and data yield further information (not, however, comparable to Table 7) on female employment opportunities in the public sector for Canada, France and Spain. In Canada, during the period 1966-1978 female employment in the public sector expanded at a rate of 5 per cent per annum, compared to 4.3 per cent in the private sector, and in 1978 females represented 40.1 per cent of public sector employment and 37.9 per cent of private sector employment.(13) Within the public sector, and by broad function and jurisdictional level, females are heavily concentrated in the education sector (40 per cent of all women) although this has declined, and the biggest growth area has been in the area of provincial and municipal government administration.

In France, during the period 1962-1978 the female proportion of public sector employment increased from 32 to 47 per cent, and the ratio of this proportion to that of females in total employment rose from 0.92 to 1.21, indicating a proportionally greater expansion in public sector versus private sector female employment expansion.(14) Table 8 provides some useful data on the occupational distribution of females in both the public and private sectors in France. In terms of comparisons between the two sectors, women are relatively more concentrated in the public sector in the engineers, high level management, technician, labourer and other personnel occupations, but relatively less concentrated in the foreman, highly and semi-skilled worker, and police and army groups. When looking at both sectors, however, and in comparison with males, females are still underrepresented in the engineer, high level management, technician, foremen, skilled and semi-skilled and police occupations. In most cases the situation has worsened since 1973.

In Spain, during the period 1967-1975, the proportion of women in the public sector increased from 18 to 23 per cent,(15) while as a proportion of total employment the percentages increased from 24 to 28. Consequently,

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13. Patricia Dale, Women and Jobs: The Impact of Federal Government Employment Strategies on Women, Canadian Advisory Council on the Status of Women, Ottawa, 1980.

14. Source: Enquêtes sur l'emploi. Résultats détaillés, "Les collections de l'INSEE", Série D.

15. Source: Encuestas de poblacion activa, Instituto Nacional de Estadistica, Madrid (various issues).

Table 8

FRANCE: FEMALE INTENSITY IN PUBLIC SECTOR BY FUNCTIONS (1)

Functions	Share of female employment in public sector (in per cent) (a)		Share of female employment in total employment (in per cent) (b)		Female intensity in public sector (a : b)	
	1973	1977	1973	1977	1973	1977
Professors, scientific and other professions	48.1	47.1	46.7	47.7	1.03	0.98
Professional engineers	8.9	4.5	6.4	3.7	1.39	1.22
Senior managers	22.5	19.8	20.5	15.3	1.10	1.29
Teachers and other para-professionals	63.7	67.2	61.4	65.0	1.04	1.03
Para-medical and social services	85.6	82.1	81.0	81.5	1.06	1.01
Technicians	21.0	20.7	13.8	12.6	1.52	1.64
Junior managers	56.1	47.7	48.6	41.5	1.15	1.15
Clerical workers	60.4	58.7	66.4	65.2	0.91	0.90
Foremen	2.4	2.4	5.5	7.8	0.44	0.31
Craftsmen	12.0	9.1	11.8	12.8	1.02	0.71
Operatives	15.8	17.2	28.9	27.7	0.55	0.62
Unskilled	62.2	63.4	44.0	43.3	1.41	1.46
Other services	82.5	86.3	69.5	69.4	1.19	1.24
Police, armed forces	4.0	2.3	4.1	3.2	0.98	0.72
Together	47.5	45.8	37.6	36.4	1.26	1.26

1) Derived from Enquêtes sur l'emploi. Résultats détaillés, "Les collections de l'INSEE. Série D".

while the ratio of female employment in the public sector to female employment overall rose from 76 to 84 per cent, females play a relatively smaller role in Spain's workforce than in most other OECD countries where data are available.

8. Some Characteristics of Regular Public Sector Employment

Unfortunately, there are very little available data on other characteristics of work in the public sector. In the following, we deal briefly with (a) earnings and compensation, (b) occupational structure and (c) education level.

a) Earnings and compensation

Table 9 provides data on relative earnings in the public sector, but it should be noted that the definition of public sector may vary somewhat from country to country according to particular national definitions. Consequently, inter-country comparisons cannot be strictly made, and are suggestive only. However, inter-temporal comparisons within countries should have more validity. The two major conclusions drawn from Table 9 are, first, that relative public sector wages in most countries have tended to fall, or stabilize, especially since 1970 and, second, that there are substantial differences among countries that could not likely be explained away through differing definitions of the public sector alone. Finally, it should be stressed that earnings differentials between the private and public sector are caused by two factors: first, wage differentials for similar occupations; second, differences in the composition of the private and public sector workforces.

There are also some data available on earnings at a more disaggregated level for particular countries, but it may be dangerous to draw any broad conclusions from them. Table 10 presents the results of one Canadian study.(16) The data reveal that both males and females receive larger earnings in the public sector, and that in both sectors women receive less than men, although in the public sector women have higher relative earnings but the non-government sector is closing the differential.

A more detailed study, covering the year 1971 only, explores the reasons for the differentials between public and private sector earnings in some detail,(17) in

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16. P. Dale, op.cit., Appendix 2, p.7.

17. Morley Gunderson, "Decomposition of Public-Private Sector Earnings Differentials" in M. Bucovetsky (ed.) Studies in Public Employment and Compensation in Canada, Butterworth & Co., Montreal, 1979, pp.2-28.

Table 9

RATIO OF EARNINGS PER PUBLIC EMPLOYEE[a] TO EARNINGS OF PRIVATE SECTOR PER WAGE AND SALARY EARNER[b]

	1960	1965	1970	1974	1975	1976
Australia c)			1.80	1.63		
Belgium	1.34	1.23	1.25	1.27	1.35	
Canada		1.03d)	1.14	1.16	1.17	1.18
Denmark	1.11	1.26	1.24/1.09	1.17	1.20	
Finland		1.56	1.21	1.31	1.32	1.31
France	1.22	1.29	1.24			
Germany	1.44	1.31	1.33	1.31	1.29	1.25
Italy	1.76	1.76	1.35/1.48	1.28	1.20	
Netherlands	1.33	1.59	1.56/1.53	1.51	1.52	1.50
Norway e)			1.07	1.00	1.00	1.02
Sweden			.95	.95	.94	
Switzerland c)			1.35			
United Kingdom	1.09	1.04	.92	.93	.96	.91
United States	.88	.91	.96	.99	.99	.98

a) Comparisons over time are more relevant than comparisons across countries because there remains some large conceptual differences among countries' compositions of their public sector.
b) Public employee earnings were deducted from compensation of employees and the two components divided by the employment data available. Trends over time are not always exact on account of changes in the reporting systems (e.g. old and new SNA whose concepts are not comparable - in particular, non-profit institutions serving mainly governments are now included).
c) Public administration and defence only.
d) 1966.
e) Ratio of earnings per man-hour (man-hour instead of numbers employed).

Sources: National Accounts of OECD Countries (unpublished details); Eurostat, National Accounts ESA; Countries' own national accounts or related supporting statistics. As reported in Public Expenditure Trends, op.cit., p.19.

particular it attempts to adjust for different compositions of workforces. As in Table 9 it found public sector earnings to be higher, and it concluded that for males, one-third of the difference in earnings was attributable to superior wage-earning characteristics, for example, education, skill, etc., while two-thirds was attributable to a public pay policy which offered higher

Table 10

CANADA: AVERAGE EARNINGS IN GOVERNMENT AND NON-GOVERNMENT SECTORS BY SEX, 1969-1977

Year	Male	Female	Difference Male - Female	% Female/Male
	$	$	$	
Average Earnings: Government				
1969	7,504	4,596	2,908	61
1971	8,716	5,507	3,209	63
1973	10,646	6,231	4,415	59
1975	13,695	8,088	5,607	59
1977	16,756	9,915	6,841	59
Average Earnings: Non-Government				
1969	6,529	2,891	3,638	44
1971	7,509	3,396	4,113	45
1973	8,879	3,982	4,897	45
1975	11,439	5,364	6,075	47
1977	13,392	6,771	6,621	51

Source: P. Dale, op.cit., Appendix 2, p.7.
Government sector includes public corporations.

wages for a similar type of work in the private sector. For females, the percentages were reversed, with two-thirds of the differential attributable to wage earning characteristics, and only one-third to public pay policy. The study also noted that the differentials were greater at the lower than at the upper end of the income scale. In fact, professionals in the government often received less than their counterparts in the private sector. Overall, the study concludes that public pay policy is more egalitarian than private pay policy when viewed from both female and low-income perspectives.

A study on the relative earnings of full-time full-year government employees in the United States in 1976 shows that females and minorities systematically had higher earnings than their private sector counterparts.(18) At the federal level the premiums ranged from 33 to 55 per cent while at the state and local level the range

18. Lester C. Thurow, "The Indirect Incidence of Government Expenditures", American Economic Review, (Papers and Proceedings), May 1980.

was from 2 to 31 per cent. Part of these differentials can be explained by differences in the occupational structures of the public and private workforces. When the data on relative earnings are adjusted for occupational mix, the wage premiums shrink for females and minorities employed by the federal government and no longer exist for state and local government employees. The study concludes that "the government provides a higher wage for females and minorities than is provided by private employers".(19)

Data in Table 11 for New Zealand also reveal a public/private differential in favour of the public sector for both men and women. However, the differential appears to be closing. In the United Kingdom, the public/private differential has generally been smaller (see Table 12) at least during the 1970s, but has widened particularly since 1974 due to relative salary gains made by both male and female manual workers. As in Canada and New Zealand, females receive larger relative salaries in the public than in the private sector and this has become more so since 1970.

Table 11

NEW ZEALAND: PUBLIC AND PRIVATE SALARY COMPARISONS BY SEX, 1974-1979

(Index: Private Sector = 100)

Year	Public Administration		State Enterprises		Local Government	
	Male	Female	Male	Female	Male	Female
1974	116.1	140.7	137.3	132.4	129.5	144.2
1979	106.1	114.1	147.8	126.1	113.7	122.4

Source: OECD, High Level Conference on the Employment of Women, 16-17 April, 1980, "National Report of New Zealand", Table 10, p.47.

b) Occupational structure

There was little data gathered on this aspect of public employment, but what data are available suggest that the public sector is a major employer of highly qualified manpower as well as of clerks. Table 13 presents the occupational breakdown for France which

19. Ibid., p.83.

Table 12

UNITED KINGDOM: SALARIES IN THE PUBLIC AND PRIVATE SECTORS

(Index: Salaries in Private Sector 1970 = 100)

	1970	1971	1972	1973	1974	1975	1976	1977
Men								
Manual								
Private Sector	100.0	109.9	121.7	141.5	161.4	201.0	236.4	261.0
Public Sector	93.4	103.7	117.7	136.0	157.0	213.6	247.1	267.3
Non-manual								
Private Sector	100.0	111.8	123.0	137.9	154.6	190.8	223.1	248.0
Public Sector	102.3	113.2	128.5	130.1	160.1	205.2	251.2	267.0
Women								
Manual								
Private Sector	100.0	114.3	127.1	147.4	174.4	233.1	288.0	322.7
Public Sector	100.0	116.5	133.8	151.9	188.0	266.9	319.6	345.1
Non-manual								
Private Sector	100.0	113.3	123.8	141.7	166.2	219.2	264.9	299.3
Public Sector	140.4	153.6	176.2	190.1	220.5	308.0	385.4	413.9

Source: "Earnings of employees in the private and public sectors: April 1970 to April 1977", Department of Employment Gazette, December 1977.

Table 13

FRANCE: DISTRIBUTION OF SALARIED EMPLOYMENT BY OCCUPATIONS 1977

(Percentages)

Occupations	Private Sector	Public Sector
Farm labourers	2.4	0.2
Professors, scientific and other professions	0.7	6.5
Professional engineers	1.8	1.2
Senior managers	3.9	5.9
Teachers and other para-professionals	1.4	11.4
Para-medical and social services	0.9	3.6
Technicians	4.8	3.6
Junior managers	5.8	8.1
Clerical workers	12.2	26.6
Sales	5.6	0.2
Foremen	3.5	1.4
Craftsmen	19.5	7.5
Operatives	19.8	4.8
Mine workers	0.2	0.7
Sailors, fishermen	0.2	0.0
Unskilled	8.4	5.5
Private households	1.6	0.6
Other services	4.6	6.1
Artists	0.2	0.1
Police, Armed forces	0.1	6.0
Total	100.0	100.0

Source: Enquête sur l'emploi, INSEE, série D, no. 58, octobre 1977, pp.47 to 49.

illustrates the high relative percentages for both highly trained professional workers on the one hand, and the less skilled office workers on the other. Data not presented here also reveal that the public sector in France, in 1977, employed about three-quarters of those engaged in education, literary and scientific pursuits; over half of the workers employed in the medical and social sectors; and over one-third of high level administrators. However, the public sector also employed almost one-half of all office workers employed in France.

The same emphasis in the occupational structure towards professionals is also found in Canada. In 1971, professional employees in the public sector comprised 70 per cent of all employed professionals in Canada. In fact, so much so, that the conclusion to one comprehensive study stated:

"The rapid and sustained growth of professionals in the Canadian public sector has been such that the problems of salaried professionals and of public employment are now inextricably mixed: salaried professionals are predominantly employed in the public sector, and public sector employment is increasingly professional."(20)

Evidence for the United States reveals a very similar position. While only about 10 per cent of all males and females employed in the private sector in 1976 were professionals, the government employed 35 per cent of all male professionals and 50 per cent of all female professionals.(21) The concentration of female professionals was especially marked among state and local governments, reflecting the large numbers of school teachers, social workers and nurses on public payrolls. Thus, for the United States at least, the study concludes that "highly educated women are highly dependent upon government expenditures for their job opportunities".(22)

c) Education level

As with occupational structure, the available data suggests some common interesting trends. For example, in Canada, for the year 1971, it has been estimated that the average formal education of government employees tends to exceed that of employees in the private sector by about 10 per cent for males and 8 per cent for females.(23) A 1973 highly qualified manpower survey also shows that the public sector is an extensive user of highly educated personnel, employing about twice as many university graduates as employed in the private sector.(24) In fact, the public sector employs two-thirds of all Canadians with post-secondary education.

In France, 1972 data show that 60 per cent of the entire workforce, but only 30 per cent of public sector employees, had no diploma or only a primary school certificate.(25) At the other end of the educational scale,

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20. Richard M. Bird, The Growth of Public Employment in Canada, Institute for Research on Public Policy, Montreal, 1979, p.65.

21. Thurow, op.cit.

22. Ibid, p.82.

23. Morley Gunderson, "Public-Private Wage and Non-Wage Differentials in Canada", in D.K. Foot (ed.) Public Employment and Compensation in Canada, Myths and Realities, Institute for Research on Public Policy, Montreal, 1978, p.131.

24. Ibid., p.131.

25. INSEE, Enquête sur l'emploi, 1972 Série D, no. 33-34, pp.248 ff.

14 per cent of public employees and only 6 per cent of the employed workforce held advanced diplomas beyond the baccalaureate. In addition, women had superior education status in the public sector, but were on about an equal basis with men in the total employed workforce.

Looking at young entrants only, the French evidence reveals even greater disparities: only 13 per cent of young public sector entrants had no diploma or only a primary school certificate, while 27 per cent had advanced diplomas beyond the baccalaureate. The corresponding figures for young entrants to the entire workforce was meanwhile 44 and 10 per cent. As was the case in Canada, the public sector in France is also an extremely heavy recruiter of post-secondary graduates.

This same general conclusion applies to the United Kingdom, but here a time series also allows one to analyse past trends. Again, as in Canada and France, the recruitment of nearly one-half of all male advanced degree holders indicates the extreme importance of the public sector as an employer of highly qualified manpower. Not shown in Table 14, but of importance, is the fact that in all categories except male advanced degree holders, recruitment by the central public service has declined and the local public service and health sectors have been the spectacular growth areas for all degree holders.

In terms of trends, there have been two noticeable features: first, the relative decline of the education sector, beginning around 1972, has apparently resulted in a shift of female graduates into the private and other parts of the public sector; second, since about 1972/73 there has been a slowing down in the recruitment rate of the public sector (especially for females) relative to the private sector.

The importance of the public sector as an employer of university graduates is widespread across the OECD area, according to a recent Secretariat report.(26) In Germany, Denmark, Italy, the Netherlands and Sweden the proportion of degree holders recruited by the public sector varies between 55 and 75 per cent. In the United States, the percentage was 37 per cent in the mid-1970s.

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26. "Employment prospects for higher education graduates" (forthcoming).

Table 14

UNITED KINGDOM: RECRUITMENT OF UNIVERSITY GRADUATES
1969-77

(Percentages)

First Degree

Year	Private Sector		Education		Public Sector[a]		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
1969/70	79.9	48.4	6.3	20.0	13.8	31.6	100	100
1973/74	69.9	42.4	4.0	11.9	26.1	45.7	100	100
1976/77	74.5	52.5	2.8	9.8	22.7	35.7	100	100

Advanced Degree

Year	Private Sector		Education		Public Sector[a]		Total	
	Male	Female	Male	Female	Male	Female	Male	Female
1969/70	50.3	22.0	36.6	54.1	13.1	23.9	100	100
1973/74	47.7	24.5	32.7	41.3	19.6	34.2	100	100
1976/77	48.8	28.3	31.9	38.0	19.3	33.7	100	100

a) Exclusive of education.

Source: U.K. University Grants Committee, First Destinations of University Graduates, HMSO, London, selected years.

IV. THE FINDINGS: THE PUBLIC SECTOR AS DIRECT EMPLOYER THROUGH TEMPORARY EMPLOYMENT OPPORTUNITIES

The findings presented in this section are based on a recent Secretariat study evaluating the experience in five countries with direct job creation schemes.(1) The schemes provided jobs in national, state and local governments, public agencies and non-profit organisations (and in rare circumstances the enterprise sector). However, all schemes had two common features that distinguished them at the outset from regular public sector employment: the jobs created only provided temporary employment for job holders; and the jobs were extra (or net) to prevailing regular public sector (or private sector) positions. In addition, in all cases the central government maintained some degree of control over the schemes.

1. Number and Type of Jobs Created

The number of jobs created, relative to the numbers unemployed, averaged about 10 per cent, but was as high as 26 per cent in one country. In general, the nature of the jobs was primarily construction or environmental, with education, social and health services being of lesser importance. Most jobs were of a clerical or manual labour type, and the lack of a serious training element was common, although it was an aspect that received increasing attention. In three of the countries there was very strong sponsorship (around one-third to one-half) by non-profit organisations, but in general the government sector sponsored a majority of the jobs.

2. Characteristics of Participants

The schemes were targeted at the unemployed with the result that between 78 and 100 per cent of the job holders were drawn from the unemployed ranks. On a sex breakdown, the results showed the schemes to be dominated by males; only in one country did females make up as much

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1. Direct Job Creation in the Public Sector, op.cit. The five countries are: Canada, Denmark, Norway, the United Kingdom, and the United States.

as 44 per cent, and in general they held on average only about 25 per cent of the available jobs. With respect to age, several of the schemes were aimed at youth, but even in those programmes that had no age restrictions, the youth component tended to be very strong.

By education level, there was considerable variation, and in one country three-quarters of the participants had twelve or more years of schooling: but in other countries, the proportion with primary or elementary schooling only ranged from 25 to 57 per cent. There were limited data available on the numbers in the schemes who were economically disadvantaged, but in the three schemes where statistics were available, between two-thirds and four-fifths of the participants were living in poverty. In the United States programme, in addition, about one-third were non-white. In conclusion, all country responses indicated general satisfaction with their ability to target on the groups selected for special attention in the programme design.

3. Transition and Post-programme Experience

Since a participant's duration in any of the schemes was limited, it must be assumed that the temporary job was transitional; that is, it served as a bridge to a regular private or public sector employment opportunity. Did the programmes, therefore, offer any post-programme advantage? Unfortunately, the data were incomplete, mixed and difficult to judge without control group comparisons. In general, however, as long as high levels of unemployment prevailed, training opportunities were slight, and the participants were hard-to-employ before their programme involvement, the post-programme results do not appear to be overly encouraging, with unemployment rates of 33-56 per cent prevailing. In one scheme, 75 per cent of those who subsequently found employment claimed the job programme experience had no value in relation to their present job.

4. Wages

Unlike regular public service employment, there is little fear that wages in temporary job schemes will equal or exceed those available in either the regular public sector or private sector. Wages are either fixed by prevailing minimum wage levels, or prevailing rates for the job, but with stringent ceilings. Some commentators have voiced concern that the low wages paid could eventually lead to the creation of a distinct tier of lower level jobs within the public sector. In at least one country, there have been strong complaints lodged by local unions about the low level of wages paid to programme participants.

5. Employee Satisfaction and Community Value

Employee satisfaction was very high, indicating that the work was interesting and provided at least some challenge. Where data were available, approximately 85 per cent of participants expressed satisfaction with their jobs. Where complaints were registered they centred primarily on lack of adequate equipment, and the need for improved management. It is interesting to note that very few thought the jobs boring or of little benefit to the community.

It is difficult to assess the value of the output of job creation schemes. However, it is worthwhile noting that in all programmes, authorities stressed the objective of providing needed community services: employment was not to be created regardless of expense. In the only official survey, 86 per cent of the projects were judged as being definitely needed. Moreover, many projects pioneered new ways of delivering services. The use of advisory and selection panels drawn from the community - and utilised in several programmes - was a device used for maintaining project usefulness.

V. THE PUBLIC SECTOR AS EMPLOYER: SOME OBSERVATIONS RELATING TO THE AGGREGATE EMPLOYMENT LEVEL

What role has, and can, government play as a major employer of labour in terms of its impact on aggregate employment and unemployment? The findings in the previous sections, while not providing definitive answers to some of the leading questions, permit some insights, and suggest areas for further investigation.

1. Raising Aggregate Employment - The Role of the Public Sector in the Past and Present

The findings confirm the speculation made in the report "A Medium-Term Strategy for Employment and Manpower Policies" (op.cit.), that within the growing service (tertiary) sector in OECD Member countries, the public sector has been a major component. In terms of its share of total employment in the OECD area, the regular public sector has grown from a 12 per cent share in 1960 to almost 18 per cent by 1978. Moreover, in several countries, the growth of the public element of the total service sector exceeded the growth of the private element. Consequently, it would appear that public sector employment growth has been a major contributor to overall employment growth during a period when the private sector, and especially the industrial sector, was actually declining in terms of numbers of employment opportunities created.

However, it must be stressed that the role played by the government sector varies considerably from country to country. In countries such as Australia, Sweden and Denmark, almost one out of four employed persons is in the regular public sector, and, consequently, the role of government as an employer is undoubtedly very important to the level and structure of employment in these countries. On the other hand, in Japan, Switzerland and Portugal, less than one in ten of the employed workforce is employed by the regular public sector: consequently, the impact of government as employer will not be as important on the level and structure of employment as it is in other countries. These vast differences among countries with respect to the size and direct employment importance of the public sector should be kept in mind

when interpreting and generalising any conclusions.(1)

In some countries since 1975, the growth of the public sector share of employment has slowed down, and even decreased in three countries (Canada, Japan, the United States). Is it possible to assess what effect this slowdown has had on employment and unemployment? In particular, have the reduced manpower requirements of the public sector increased the employment prospects of the private sector or just swelled the unemployment rolls? The period of observation is still too short (1975-1978) to reach any firm conclusions. But as time passes, and if government restraint continues, it would be interesting to recheck how these public sector cut-backs are reacted to by the private sector especially in countries like Canada, Denmark and the United Kingdom, where public sector employment is relatively large. If, in the past, the public sector through its rapid growth, and in some cases higher wages, has bid away scarce manpower resources from the private sector, one might expect that the private sector will positively adjust to the surplus manpower now available. If, on the other hand, the past public sector employment growth was partly associated with rising labour surpluses due to slackening labour demands, public sector employment reduction will reinforce current unemployment problems. It should also be noted that any impact resulting from these reductions will probably not be of the same magnitude across occupational, sex, regional, etc. categories since, as was noted, the public sector has also contributed to structural adjustments in the workforce, most notably with respect to highly qualified manpower, women and part-time job holders.

The public sector may also affect unemployment rates apart from its ability to create or destroy gross employment opportunities. The "Medium Term" report hypothesised that the service sector in general, by stimulating gross flows in the labour market, could - for any given level of employment - generate a higher level of unemployment than that generated by an economy dominated by its industrial sector.(2) Because of features peculiar to, or disproportionately embodied in, the service sector, there is more "activity" in the labour market, i.e. more gross flows, and consequently more "turn-around" or frictional unemployment.

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1. Also, it should be recalled that in some countries (e.g. France) activities outside the regular public sector as defined in the present report can be of considerable importance. This reduces both the value of inter-country comparisons and generalisations from observed trends of the regular public sector.

2. This hypothesis was based on the work of R. Salais, in Structural Determinants of Employment and Unemployment, Vol. II, OECD, Paris, 1979; and also A Medium Term Strategy for Employment and Manpower Policies, op.cit.

Some of the special features associated with the service sector are: (i) it recruits more from outside the labour force, whereas the industrial sector recruits more from the ranks of the unemployed; (ii) within the service sector there is more mobility among firms; (iii) it hires a relatively larger number of women; and (iv) within the service sector there is more part-time and fixed-term contract employment. From our analysis of the characteristics of regular public sector employment, it appears that the government sector would also embody most of these features, and in some cases, for instance part-time work, exceed the private sector. Consequently, if the gross-flow hypothesis has substance, the relative growth of regular public sector employment in most countries may, while creating job opportunities, also create more pressure on frictional and, consequently, aggregate unemployment rates. However, it would be necessary to examine further some of the public sector hiring practices, for example, whether the public sector tends to hire more from outside the labour force, and whether mobility is greater, etc., in order to reach a firmer conclusion.

In examining the different growth rates and sizes of the public sector employment shares in Table 1, it is of some interest to examine the possible connections between their behaviour and expenditure trends. From Table 1, it is possible to designate seven countries as being considerably above average in terms of the size of their public sector employment shares: Australia, Canada, Denmark, New Zealand, Norway, Sweden and the United Kingdom. Not surprisingly, looking at Table 15, the majority of these countries also have had above-average elasticities of total public expenditure with respect to GDP over the 1960-1978 period.

Consequently, it appears that if a country directed a proportionately large amount of its GDP increases into the public sector, it would probably also end up with relatively large numbers of people employed in the public sector. This result is not inevitable, however, and it is important to examine again the employment elasticities presented earlier in Table 6. The public sector share of employment is dependent on two factors: first, the amount of GDP directed to the public sector, and second, the labour intensity of public production.

Of the seven countries noted above that represent above-average public sector employment shares, and of the five for which employment elasticities are available, it is easy to explain why Sweden and Denmark have very large public sector employment shares. Not only have they devoted relatively large percentages of their GDP to the public sector, but the labour intensity (elasticity) is also high. Canada and the United Kingdom are ranked about average in terms of their shares of public expenditure, but their above-average labour intensities have translated these expenditures into above-average public employment shares.

Table 15

ELASTICITIES OF TOTAL PUBLIC EXPENDITURE WITH RESPECT TO GDP

	1960-1978	1968-1978	1973-1978
Sweden	1.45	1.44	1.62
Switzerland	1.43	1.58	2.59
Norway	1.34	1.13	0.96
Denmark	1.32	1.23	1.42
Germany	1.31	1.27	1.45
Belgium	1.30	1.29	1.40
Netherlands	1.27	1.29	1.41
Ireland	1.26	1.21	1.30
Greece	1.25	1.17	1.45
Australia	1.24	1.25	1.44
Spain	1.23	1.21	1.26
Italy	1.23	1.21	1.25
Japan	1.22	1.40	1.14
Finland	1.20	1.25	1.40
Canada	1.19	1.10	1.26
Austria	1.18	1.16	1.33
United Kingdom	1.15	1.04	1.12
France	1.14	1.13	1.32
United States	1.13	1.08	1.13
New Zealand	1.11	1.17	1.34
OECD average (unweighted)	1.25	1.23	1.38

Note: Countries are ranked in order of their expenditure elasticity at current prices for the whole period 1960-1978.

Sources: Calculated from National Accounts of OECD countries and consistent time series from national publications.

On the other hand, some countries which rank high in expenditure elasticities (Table 15) rank low in terms of their public sector employment shares. On the basis of rankings in Table 15, one might expect that the Netherlands and Belgium would have above-average public employment shares. However, the data in Table 1 do not show this, and the elasticity figures in Table 6 likely explain why. These two countries have below-average employment elasticities, hence, a relatively large volume of public expenditure is not translated into an equally large volume of public employment.(3) No employment

3. Part of the reason is that these countries have relatively large transfer payment systems which are less labour intensive; but as the employment elasticities show

(continued on next page)

elasticity was calculated for New Zealand, but on the basis of the above observations, it is likely that New Zealand's public sector is highly labour intensive. It has one of the lowest public expenditure elasticities, but throughout the period studied has maintained an above-average public employment share.

The results of these simple observations are - if true - important in relation to aggregate employment levels. Countries, because of varying employment elasticities, have achieved different public sector employment levels within a given level of public sector expenditure. In some countries, like Sweden and Denmark, high expenditure and employment elasticities have created relatively large public employment shares. In other countries, like Japan and France, low expenditure and employment elasticities have combined to produce relatively small public employment shares. But in yet other countries, Canada or the United Kingdom, average expenditure elasticities have combined with above-average employment elasticities to produce relatively large public sector employment shares.

There are two features of the elasticities listed in Table 6 that merit further study than is possible here. First, as has just been noted, there is considerable variation among the values. Taking the elasticity values in column 2, they range from a high of 1.4 in Denmark to a low of 0.3 in Japan, and this is a remarkable divergence. Second, the elasticities appear to be fairly stable, even during the post-1973 period when the growth of public sector employment shares and public expenditure levels were slackening. This second result could be quite significant if the data are of high quality, since it means in effect that established expenditure/employment ratios scarcely change over prolonged periods of time.

To examine further these conclusions it is necessary to look at the patterns of expenditure among countries and within countries. More precisely, do countries grouped by above- and below-average employment elasticities have observably different expenditure patterns? Do expenditure patterns change within countries and if so, why do employment elasticities remain constant? Answers to these questions will have an important bearing on the next section which examines the potential for expanding public sector employment within a given expenditure level.

Is it possible to group countries with similar employment elasticity values by looking at patterns of public expenditure and employment? Unfortunately, not much data exist on the functional composition of employment, but Table 5 provided a limited breakdown for six

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(Note 3 continued)
even when accounting for this factor, these countries still rank low in labour intensity with respect to final consumption expenditures.

countries, of which for five we have employment elasticities: Denmark, Norway, Sweden, the United Kingdom and the United States. Unfortunately, for comparative purposes the range of elasticities is not wide, only Norway has a (slightly) below-average elasticity value, while the rest are all well above average.

The only interesting observation that comes from this joint examination of the functional breakdown of public employment and employment elasticity values is that the very high elasticity countries, Denmark and Sweden, have markedly low proportions of their public employment concentrated in the public administration and defence category and over half in the health and welfare categories. Norway, with the lowest elasticity values on the other hand, has the highest percentage in the public administration and defence category and a relatively small percentage in the health and welfare categories. The only other feature that stands out is that, with the exception of the United States, all countries employ about 25 per cent of their public employees in the education category.

It is possible to look also at expenditure patterns among countries and see if there are any groupings common to countries with similar employment elasticities. The elasticity values calculated earlier and presented in Table 6 uniformly increase when transfers and subsidies are excluded from expenditures. Consequently, it is known that transfers and subsidies are associated with reduced labour intensity, but a wide dispersion still remains, and most countries still even retain their same ranking (or change one position), when the transfer element is excluded. Therefore it is important to examine the composition of final consumption spending, most of which is wages and salaries, in order to determine if this has any bearing on the relative values of countries' employment elasticities.(4)

In Table 16, six countries are ranked according to the values of their employment elasticities which then permits a comparison of these values against seven functional final consumption spending categories. Are there any broad observable trends using visual examination only? There are four. First, the countries with above-average employment elasticities devote relatively less spending to financing general public services, while below-average elasticity countries (except Belgium) spend considerably above-average amounts. Second, the above-average countries spend considerably less on education than do the below-average elasticity countries. Third, the above-average elasticity countries (except the United States) spend substantially more in the health

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4. Wages and salaries of public employees typically account for about two-thirds of government final consumption expenditure in Member countries.

Table 16

FUNCTIONAL BREAKDOWN OF PUBLIC EXPENDITURE AS A PERCENTAGE OF TOTAL GOVERNMENT FINAL CONSUMPTION EXPENDITURE

(Average 1976-1978 or near years)

	Employment elasticity	Final cons.exp. as % of GDP	Expenditure categories						
			General public services	Defence	Education	Health	Security & welfare services	Economic services	Other
			%						
Sweden	1.23	26.2	14.7	12.8	21.5	24.4	13.6	7.8	5.2
United States	0.95	18.4	16.4	29.3	26.6	6.3	3.2	6.7	11.4
United Kingdom	0.82	20.9	13.7	23.1	21.8	22.1	6.4	6.7	6.3
Norway	0.73	18.1	14.2	16.8	30.8	11.6	8.1	3.6	14.9
Italy	0.65	15.8	23.0	11.8	28.1	21.3	6.2	3.9	5.7
Japan	0.31	9.7	27.3	8.5	37.9	3.9	4.9	7.2	10.4
Mean	0.78	18.2	18.2	17.1	27.8	14.9	7.1	6.0	9.0

Source: National Accounts of OECD countries.

sector. Finally, Sweden, with an elasticity value far above all other countries listed in the table is substantially above all other countries in its spending on social assistance services (this category does not include income transfers). Without further data, these observations suggest the following conclusions: that employment in the general public service and education sectors is less labour intensive; that employment in the health and social services sectors is more labour intensive; and that countries which devote more of their GDP to final consumption in the public sector exhibit higher labour intensity.

The above findings, which confirm some common broad spending patterns, tend to support the conclusion that employment elasticities are related to spending patterns. However, as noted earlier, the relative stability over the 1960-1978 period of the employment elasticity values, even when patterns of spending were undergoing constant change within countries, raises the question as to whether countries have to some extent predetermined how labour intensive their public sectors will be regardless of the spending mix. No further conclusion is possible at this stage without further data and analysis.

Employing an alternate approach in an attempt to explain the varying labour intensities of public sectors, the question was asked: "Does the relative wage level between the public and private sectors play a role?" It could be hypothesised, for example, that a public sector will be more labour intensive if the wages paid in general are lower; that is, any given dollar of public expenditure will provide more employment the smaller the wage bill. And this consideration is especially important in the public sector where such a high percentage of government expenditure is attributable to wages and salaries.

It is unfortunate that the available standardised data do not cover many countries, but some attempts can be made with present information to establish linkages between public employment and earnings. A re-examination of Table 9 allows us, in comparison with the employment elasticities, to make some superficial observations, remembering that there are conceptual differences between the country series on earnings. If 1970 is chosen as a year for comparison (which is almost the mid-point year for the elasticity calculations) there is a trend for above-average employment elasticity countries - Sweden, the United Kingdom, the United States especially, and less so, Canada and Denmark - to have smaller public/private earnings ratios. In fact, the first three are the only countries to have ratios below unity. On the other hand, countries with low labour intensities (elasticities) - Belgium, France, the Netherlands and Germany - have public/private earnings ratios well in excess of unity. Consequently, at this very broad level of analysis there is some support for the hypothesis that relatively low public sector earnings are somehow associated with higher labour intensive public sectors. At

the very least this evidence warrants a more detailed examination of this relationship as more sophisticated data become available.

2. Raising Aggregate Employment - The Prospects for Public Sector Employment

The analysis up to this point has concentrated on what has happened with respect to the relationship between the public sector and aggregate employment. This section employs these findings in an attempt to examine whether there is a potential for the public sector to expand employment opportunities in the aggregate, and within a given expenditure level.

At the outset, the broad findings suggest considerable potential, in theory, for altering total public sector employment within a given expenditure level.(5) The greatly varying employment elasticities show this, as also do the comparisons between country expenditure levels and their shares of public sector employment. For example, in the 1974-1976 period the Netherlands devoted 53.9 per cent of GDP to public expenditure, but their public sector share of total employment was only about 14 per cent. On the other hand, the United States devoted only 35.1 per cent of GDP to the public sector, but this spending provided for a public sector employment share of 18 per cent. Also, two countries - Germany and the United Kingdom - which had almost identical spending shares of about 44 per cent had markedly different employment shares, 14 per cent for Germany and 21 per cent for the United Kingdom.

These findings, therefore, suggest that there is no fixed linkage, across countries, between public spending and public employment. This, at least technically, raises the question whether there is any scope for changing the public sector employment share within a given level of expenditure. The following discussion on increasing the employment potential of public spending is explored under three headings:

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5. We must warn again, however, of some of the dangers in relating expenditure data solely to our definition of the public sector. For example, some transfer expenditure may be supporting employment outside the regular public sector; some expenditure may be in support of non-profit institutions (which are quasi-public) which create employment opportunities directly; and some expenditure may be designated for the contracting-out of employment services. To the extent that some countries engage more heavily in these types of expenditure activities their public sector employment shares (using our definition) will be lower.

a) the expenditure mix;
b) the factor mix, or the technical methods of production;
c) the delivery mix, or administrative forms for providing public goods and services.

a) The expenditure mix

The findings strongly suggest that transfer payments as a component of total public expenditure are associated with smaller values of employment elasticities than are expenditures on final consumption. Therefore, it may be appropriate to channel more public expenditure into the more labour-intensive final consumption categories, provided it would benefit the same persons. In fact, one of the 1976 OECD Council recommendations was to explore avenues for creating a better balance between income support programmes and more positive employment programmes.(6) And in the follow-up "Implementation of the Council Recommendation on a General Employment and Manpower Policy", it was noted that several countries - Austria, Canada, Finland, for instance - had initiated attempts to bring about this better balance.

It is important to note, however, that not all transfer payments are likely to have the same direct impact (or lack of impact) on employment. Some transfer payments are paid to households (social assistance, pensions, unemployment insurance, family allowances, etc.) but others are paid to producers (employment subsidies) and these latter transfers are likely directly to support employment creation, whereas the former are not, apart from creating purchasing power.

Table 17 provides a breakdown of total public expenditure by very broad category. Here it can be seen that certain countries, for example, France, Italy, the Netherlands, and Norway, spend around half of their total public expenditure on transfers, and the biggest proportion (OECD average is 85 per cent) is paid to households. However, some countries - Finland, Greece, Ireland, Norway, Spain, the United Kingdom - devote much larger shares of their total transfers to the enterprise sector. In conclusion, those countries which have large transfer shares, and small components devoted to the enterprise sector, probably have the greatest potential for expanding public sector employment within a given expenditure level, and without displacing or adversely affecting private sector employment.

With respect to expenditure mixes, the findings showed that there was less inter-country variation in employment elasticities when transfers and subsidies were

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6. Ministers of Labour and the Problem of Employment, Vol.I OECD, Paris, 1976, pp.74-75.

Table 17

SHARES OF PUBLIC EXPENDITURE BY ECONOMIC CATEGORY, 1975-1978

(Per cent of GDP at current prices - three-year average)

	Total expenditure	Final consumption	Transfers to households	Interest in the public debt	Subsidies	Investment
Australia	35.2	16.1	9.3	2.4	0.4	
Austria	45.8	17.6	17.1	1.8	3.0	5.4
Belgium	48.2	17.8	20.5	4.6	1.5	3.1
Canada	40.3	20.3	10.5	4.4	1.6	3.2
Denmark	(47.6)	(25.0)	(14.7)	(1.0)	(1.4)	(4.4)
Finland	40.1	19.8	9.5	0.7	4.6	4.4
France	44.4	14.9	21.7	1.3	2.1	3.3
Germany	44.7	20.1	16.5	1.7	1.6	3.3
Greece	-	15.7	8.5	1.6	2.9	-
Ireland*	46.3	18.6	14.9	4.9	3.7	4.1
Italy	43.0	15.3	16.1	5.1	2.3	3.6
Japan	28.6	9.7	9.2	1.9	1.3	5.6
Netherlands	55.3	18.2	26.8	3.0	2.2	3.5
New Zealand	36.3	18.1	13.0	2.5	1.5	5.2
Norway	50.6	14.2	16.5	2.9	7.4	4.9
Portugal*	34.1	9.7	11.7	1.1	3.7	3.1
Spain*	25.2	27.7	9.9	0.5	1.3	2.5
Sweden	58.5	13.0	19.3	2.6	3.5	4.4
Switzerland	-	20.9	10.8	2.1	1.4	-
United Kingdom	44.2	18.4	11.8	4.5	2.5	3.5
United States	34.3		10.9	2.7	0.4	1.7
OECD Average (unweighted)	43.7	18.6	15.2	2.7	2.3	4.1

* Last year available Ireland and Spain 1977; Portugal 1976.

Note: OECD average excludes Greece, Ireland, Portugal, Spain and Switzerland because certain series could not be reconstructed for these countries up to 1955.

Sources: National Accounts of OECD Countries; and New Zealand Planning Council, Public Expenditure and its Financing 1950-1979.

excluded (and still less when public capital investment was excluded). Consequently, the potential for altering labour intensities appears reduced when public final consumption sectors only are considered. Moreover, the employment elasticities are quite constant over the 1960-1978 period even in the face of changed expenditure patterns. Also, since the findings reveal that labour intensity is closely related to a country's public sector employment share, it leaves open the possibility that some countries, consciously or not, may have developed more labour-intensive public sectors perhaps as an implicit policy objective.

In conclusion, the potential for expanding public employment by altering the expenditure mix - with the possible exception of altering transfer payments - seems fairly limited.

b) The factor mix

Just as in the enterprise sector, public sector production can also be produced with a varying mix of inputs as the relative costs of the inputs change. Moreover, the public sector which is not bound by the economic loss/profit calculus of the market place may have greater scope to vary factor mix. Thus, increasing the labour intensity of a given expenditure pattern can be undertaken as a separate public sector objective without such severe profit or cost minimisation considerations, although there are obviously political limits.

Public sector officials can vary the capital (materials) to labour mix, or the labour to labour mix. Examples of the former possibility are: substituting electronic word processors for manual typists; delivering written texts electronically rather than on foot; substituting chronic-care hospitals for subsidised home-care; processing data by computer rather than hand, etc. Examples of varying different mixes of labour are provided generally by substituting cheaper or less qualified types of labour to either replace or work in accompaniment with higher qualified manpower e.g. the use of para-professionals. There also may be scope to replace full-time with part-time workers.

The findings did not directly provide any evidence whether or not countries may consistently be maintaining high employment elasticities through labour substitution. In fact the only finding, and it must be interpreted with great caution, tends to suggest that governments may be guided by cost-minimisation considerations. The finding consistent with this possibility is the one relating above-average public sector employment shares with below-average public/private wage ratios. This may suggest that in countries where public sector wages are relatively lower than private sector wages, they employ more labour

relative to capital.(7) A Canadian study tends to add some supporting evidence for this view, although the author suggested some caution in interpreting the results. In examining eleven years of data in an input/output format employing six labour-using sectors of government, the study suggests: "...one might conclude that, in choosing their input-mix, government decision makers are not insensitive to relative price movements; i.e. to cost minimising considerations".(8)

There is another avenue that presents substitution possibilities which, while not likely to increase employment possibilities, could perhaps lead to a reduction in aggregate unemployment. The findings reveal that the public sector is a relatively large employer of part-time labour. If the public sector can expand part-time positions and fill them with members of the labour force who willingly accept part-time work, then a given volume of public sector employment can lead to an expansion of employment opportunities.

In conclusion, there may be some potential especially in countries with low employment elasticities, to substitute labour for capital and materials, to substitute cheaper and less qualified labour (para-professionals) for higher priced manpower, and to expand the number of part-time jobs which can lead to employment expansion if there are numbers of unemployed who wish part-time work.(9) To effect a greater substitution of labour for capital, and also to reduce the potential for "contracting out", it may be necessary to reduce the public/private wage ratio in those countries where it appears to exceed unity greatly.

c) The delivery mix

The findings of the study on direct and temporary public employment schemes illustrate that there is an

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7. This type of evidence is only suggestive since it says nothing directly about the cost of capital or materials in the various countries. However, assuming that the cost of capital is similar within countries for both the public and private sectors, governments in countries with public/private wage ratios less than unity will be provided with a labour intensive production incentive/advantage. In addition, such practices as "contracting out" will not be as cost attractive, hence, further buoying regular public sector employment.

8. Meyer W. Bucovetsky, "Government as Indirect Employer", Studies in Public Employment and Compensation in Canada, Butterworth & Co., Montreal, 1979.

9. In Canada, there is evidence that some of the registered unemployed are seeking part-time work only. Statistics Canada: The Labour Force (various issues).

alternate way to produce and deliver public sector goods and services. Apart from the success of these programmes in dealing with structural employment problems, they may also be capable of producing a greater number of employment opportunities within a given expenditure level than regular public sector employment.

The direct job creation schemes examined were designed to be highly labour intensive, so that coupled with low wages, a given expenditure resulted in a large employment impact. The impact on unemployment will almost certainly be greater too, since participants in temporary job creation schemes, unlike those in regular public employment, are drawn in greater proportion from the ranks of the unemployed. Moreover, there are likely to be fewer adverse employment or wage impacts on the private labour market, such as "crowding-out", because the type of labour attracted to the temporary schemes is generally surplus to private demands.

It is not suggested that all, or even most, public sector goods and services could be produced in this fashion over the long term, but the temporary nature of the participants in these programmes provides an acceptable way through which construction and environmental projects can be undertaken with a greater substitution of relatively inexpensive labour for capital or for more expensive labour. In addition, the very decentralised nature of the projects allows for many of the social and community service type of projects to be conducted on an "outreach" basis from a relatively inexpensive "storefront" location.

There may be other advantages to be derived from devoting a larger share of public expenditure to this alternate delivery mechanism, which in the longer term will allow the government sector to sustain a higher level of aggregate employment than it otherwise might. In the Introduction to the Secretariat Report "Public Expenditure Trends" (op.cit.) a real political concern was articulated and stressed:

> "More generally, governments are recognising rising concern about the threats that large organisations - including government bureaucracies - are seen to pose for individual privacy and freedom, and related concerns about the strength of institutions to assure Ministerial accountability to Parliament and the public, or civil servants, accountability to Ministers and the Government. These concerns are leading to growing pressures for greater openness and greater participation in the structures of government, as well as for greater devolution of authority and greater decentralisation of government operations."

In part, at least, an alternate and more localised public sector delivery mechanism provided initially through temporary job schemes - which may lead to an

established "third sector" - may contain the seeds for developing more open, decentralised and accountable government structures. To the extent it can do this, the public sector, which has played such a growing and crucial role in the employment picture, may be in a more attractive position, particularly to resist current pressures in some countries to restrain public sector growth.

3. Raising Aggregate Employment - The Emergence of a "Third Sector"

The so-called third sector is perhaps best defined by the motivations of those promoting and working in it. However, for the purposes of this paper it is defined as a meeting of new, or unmet demands at the local level through a partnership of public, community and private organisations. In its widest sense, therefore, it can be seen as a form of sub-contracting by governments to finance a particular set of unmet needs in a community. In deciding which unmet needs to finance, governments are able to make location choices between different areas and in so doing will be able to use such activities to help achieve a structural balance within aggregate employment. One of the major advantages of the third sector approach is that it avoids further significant growth in centralised bureaucracies. And because private funds and volunteer labour are also frequently engaged, it can be a less costly means for providing a given amount of employment.

The third sector is dependent on community initiative and responsibility, and could be used to help revitalise local communities and reduce their dependency on other government programmes. It often involves the combining of objectives, for example, the provision of a particular service and the employment of a given group in the labour market in a way which takes maximum advantage of the lost human capital which results from unemployment. Some third sector activities have been briefly described in earlier Secretariat work;(10) but because it represents more a process than a set of institutional arrangements or programmes, the third sector is sometimes difficult to describe and comprehend.

Whatever institutional form third sector activity takes, the basic process involves the bringing together of public funds and community initiative. The difference between this process and, say, public funds being used to support large profit-making enterprises is primarily the motive and style of the community involvement. In general, community involvement will be heavily motivated by social concerns - concern for the workers who are

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10. Direct Job Creation in the Public Sector, op.cit., especially the Canadian, British and United States programmes.

unemployed (or underemployed), and concern for the welfare of the recipients of the goods and services to be provided. Also, the style of managing the activities will in general be more democratic, open and responsive to both the providers and the recipients of services.

To move beyond this general description of the process there are several reasons why third sector activities can be justified for providing goods and services rather than the regular public and private sectors. One of the typical comments on third sector activities is that if they were worth doing, the public or private sectors would already be doing them. But there are special reasons for the existence of third sector activities aside from the fact that, as the available data suggest, the provision of services appears to be less costly using this process.

Most third sector activities will involve the provision of social goods or services such as day care, housing, community health centres, halfway houses for rehabilitated criminals and drug users, etc. The provision of these services will generally be provided free or at subsidised rates scaled to income. They are not expected to make a profit, but some activities may become self-sustaining, or able to function with only small public grants once the initial outlay is made.

The delivery of these social goods and services can differ from regular public sector provision in a number of ways. Third sector activities rely less on professionals and more on people who have a past or present personal involvement in the area in which they are working. Consequently, recipients of these services will often identify more readily with the "staff" since there exists a natural empathy for their situation. Third sector activity, because it is not centralised and routinised, can be made more readily available at the "street" level through store-front outreach facilities. The services are thus more mobile and able to serve clients where the need is, rather than requiring clients to present themselves at the nearest centralised facility.

Third sector activity also provides a greater scope for adjusting work procedures to fit the different employment and workday needs of individuals due to handicaps, habits and attitudes, family responsibilities, etc. Because the scale of work is small and personal, there is much closer contact among staff, and between staff and recipients,and a more trusting and caring work atmosphere can be developed. Also, since a major purpose of third sector activity is to aid employees with special problems, the work atmosphere is often deliberately structured to assist people with work needs that could not be met through the routines of regular public or private sector employment.

Not all third sector activity involves the provision of social goods or services. There is also a potential to foster, through "seed-money", small-scale economic enterprises. In fact, entire communities may engage in a

mixture of community economic and social development, where revenues from economic activity will be used to finance social services. A proposed programme in Canada, "Local Economic Development Associations" (LEDA), plans to initiate just such a mixed programme where spending responsibility will rest with a board selected by the community.

Beyond this, third sector activity may be widened to include groups of people or individuals who wished to pursue basically economic activities where the output was for sale, but where the internal organisation or motivation may be different. Some of these activities have become self-sustaining and others partially contribute to their financial viability but may require small public grants. In the latter case, the criterion for determining whether further aid should be continued would be if the net cost per job created was less than that required by other job-creating or welfare alternatives. In some instances certain successful enterprises may wish to "spin out" of the third sector and become part of the more conventional private sector. In such cases, provision may be made for the repayment of the seed-money or alternative third sector financing may be seen as part of job creation or enterprise development policies.

Community economic enterprises may succeed where conventional private enterprises have failed or show no interest in meeting a particular demand or gap in the market for several reasons:

i) community enterprises are motivated to provide self-sustaining employment and are not motivated by profitability levels;
ii) they may be incorporated in rather remote regions far from major market areas where it is not profitable for regular suppliers to provide services (this reason may take on growing importance as transportation costs rise);
iii) community enterprises may produce small quantities of a variety of specialised goods that are not suited to large scale, mass production enterprise techniques;
iv) they may cater to a special type of clientele requiring special personalised services not available in profit-seeking enterprises catering to the average mass consumer.

The above describes the third sector process whereby public funding and community (or private) initiative are combined to create new employment opportunities. The institutional <u>forms</u> that this process can take are varied, and undoubtedly new forms will develop as the process matures. The following describes five different forms that have already developed:

a) Funding is provided to small groups newly established solely for the purpose of developing some

social service, such as day-care, craft instruction for the young or handicapped, etc. These groups may dissolve when funding is curtailed, or they may seek alternate funding arrangements and continue. The work routine and hiring decisions are made by the group.

b) Funding is provided to established voluntary, or non-profit, social organisations who can use the funds to hire additional employees. The type of work, hiring decisions, work routine, etc. will vary by organisation but in general will follow the established patterns, routines and decision-making processes of the given organisation. When funding is terminated, occasionally the organisations will manage to retain some of the extra employees.

c) Community development corporations are a form where a board (partially or fully) elected by the community allocates the available private and public funds among the alternate projects proposed by the involved community. Funds generated by specific projects are returned to the corporation for disbursement elsewhere. In many ways, the corporation can be seen as a provider of venture capital to finance both social and economic projects. It is hoped that the totality of "investments" made by the corporation will be adequate to keep the corporation self-sustaining. All assets belong to the corporation which in turn is controlled by the community.

d) Quite similar to community development corporations are co-operatives. A main difference is that co-operatives are owned and controlled by a specified group of co-operators (not the community at large) who are required to make specified financial and manpower contributions. The members decide on a democratic basis the types of investments to be made, the work routine, hiring decisions, etc. Co-operatives may further be defined as the situation where capital is hired by labour and not the other way round, hence the employment motivation rather than the profit maximising motive is central.

e) Finally, we move towards more individualistic third sector activities which may eventually turn out to be profitable enterprises and "spin-out" of the third sector. There is a particular form of enterprise that could initially be supported by public funds as it resembles a third sector activity. This form of activity is best exemplified in the "Briarpatch" - a loose association of San Francisco new-age, small businesses. The Briarpatch is a network of small-business people who have three values in common: they are in business because they like it; they find their reward in serving people rather than in amassing

large amounts of money; and they share their resources with each other as much as they can. Moreover, they keep their books and financial records open to the friends and community members they serve. These forms of economic activity may develop through networks of natural food stores and restaurants, flea markets, bike and used book shops, bakeries, soft energy supply outlets, etc., frequently seen springing up in central core areas that are "coming back" and renewing community vitality in the process.

VI. THE PUBLIC SECTOR AS EMPLOYER: SOME OBSERVATIONS RELATING TO THE STRUCTURE OF EMPLOYMENT

Just as the large and growing public sector has had an important influence on aggregate employment and unemployment levels, so has it also influenced the structure of employment. In some cases the structural impacts have been intentional - deliberately hiring the handicapped, ethnic minorities, veterans etc. - but in many cases the impacts have simply been the by-product of the public sector's unique role and the employment requirements of particular expenditure patterns. This section consists of two parts: the first summarises the structural changes that the public sector has facilitated - intentionally or not; the second looks at the prospects for further change.

1. The Structure of Employment - The Role of the Public Sector in the Past and Present

One of the most significant structural shifts occurring in Member countries during the past two decades has been the feminisation of labour forces. The limited data available for the public sector strongly suggest that regular public sector employment has reinforced and facilitated this trend. The same cannot be said, however, for temporary employment opportunities which are dominated by males. In Scandinavian countries, women make up two-thirds of regular public employment, whereas they only comprise about one-third of the regular public sector labour forces in Japan and Australia. In a comparison of the ratios of the share of women in public sector and total economy labour forces, the ratio exceeds unity in eight of eleven countries, and is increasing in the other three; that is, public sector labour forces are more female-intensive than are the economy-wide labour forces.

However, an occupational breakdown of public sector female employment yields mixed results. The slight evidence available suggests that females tend to be concentrated in traditional female jobs like teaching, nursing, clerical work and support roles. For example, in Canada during the early 1970s two out of three males added to the public sector labour forces were employed in the professional category, whereas only one in four females were destined for this employment group. Post-secondary education enrolment patterns do not justify this employment

pattern since the female/male enrolment proportions are much more evenly distributed. In France, even though women in the public sector are more heavily concentrated in traditional employments, they are better represented in some fields, such as engineering, high-level management, than they are in the private sector.

Unfortunately, while increasingly more is being known about the numbers of part-time employment opportunities, very little still seems to be known on the desire to hold part-time employment in both the public and private sectors. Thus, it is not known whether in aggregate an increased trend towards part-time work is primarily voluntary or involuntary on the part of the labour force. The findings for four countries concerning the public sector indicate a wide divergence in the use of part-time employees. In Sweden, one-third of public sector employees are part-time, whereas in the United States only one in seven is part-time. In a study of four countries, the results indicate that the public sector employs relatively more part-time workers than the private sector does. Consequently, based on limited data, the public sector has tended to reinforce the economy-wide trend towards part-time work previously documented by the Secretariat.(1)

Although limited data were available on an occupational basis, they supported the view that the regular public sector is a strong sustaining force in the professional categories. This occupational finding is also consistent with the available observations on the educational qualifications of regular public sector employees. The limited data strongly indicate that the public sector is a major employer of highly qualified manpower. Consequently, the employment of the increasing numbers of post-secondary graduates has been made possible by these public sector requirements. However, the same is not true of temporary employment opportunities where most of the work required routine office or low-level manual skills and workers tended to have below-average educational achievements.

There were few data as to what extent regular public sector employment benefits members of disadvantaged groups. No data were available as to the percentages of recruits who come from low-income families or are in some way handicapped. However, it was evident that the temporary employment schemes did draw large numbers of participants from certain disadvantaged groups, including unemployed youth.

One of the most interesting questions concerning public sector employment growth is whether this growth has altered the wage structure. Very few data were available, inter-country comparisons are dangerous, and

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1. A Medium-Term Strategy for Employment and Manpower Policies, op.cit., p.19.

the findings that did emerge were mixed. In fifteen countries where some earnings observations were made, the findings suggested that in twelve countries regular public sector earnings were higher than in the private sector. On a breakdown by sex, available for three countries only, females received less income on average than males did in the public sector, but more than they would have in the private sector. In Canada, wage policy was judged to be more egalitarian than in the private sector, and in the United Kingdom during the 1970s the public sector wage structure has changed to give relatively more benefit to male and female manual workers. The results of the survey of wages paid in the temporary job creation schemes yielded opposite findings to those applying in the regular public sector. In general, wages were equivalent to minimum wages, or prevailing wages capped with low ceilings.

Unfortunately, it is difficult to come to many firm conclusions concerning the impact of public sector employment on the structure of employment since the data are very limited. Countries that have above-average public sector employment shares tend to have greater percentages of women employees as well as more part-time employment opportunities, but in some cases they have also tended to provide lower average earning levels than the private sector. In terms of specific groups it seems certain, however, that females, part-time workers and post-secondary school graduates have benefited extensively from the growth of the regular public sector. A slowing down of public sector growth would obviously impact severely on these groups. With respect to temporary job programmes, it seems evident that members of certain disadvantaged groups have benefited extensively, especially young people. The financial benefits from participating in these programmes can in many instances be regarded as a displacement of transfer-and-income maintenance expenditures.

2. The Structure of Employment - The Prospects for Public Sector Employment

Because the public sector is a relatively large employer in most Member countries' economies, and because it is not so strictly constrained in its hiring decisions by the private sector's profit/loss calculus, the public sector potential for bringing about or reinforcing further structural change is large. It can do this within a given expenditure budget through changes in expenditure, input or delivery mixes.

Technically, structural objectives are easier to accomplish than the earlier objective of expanding aggregate employment with fixed expenditure limits. Many of the structural changes involving specific group shares could be accomplished by varying the input mixes over time. For example, the public sector could make a firm

commitment - even establish quotas - to hire more women, the disadvantaged, youth, etc., and thereby displace the incumbents who do not have priority. The public sector could also change the expenditure mix so that it favours certain groups. For example, women employees tend to be concentrated in the education, health and social service sectors; therefore, these sectors could be expanded at the expense of more male-dominated sectors such as defence, public works, etc. But altering expenditure mixes in this fashion to accomplish structural objectives is not likely to be as politically acceptable or as desirable as the more direct method of altering input mixes.

If the public sector wants to achieve structural changes in conditions of work, then it can institute such practices as flexi-time, work sharing, employee participation, equal pay for work of equivalent value, etc., and these practices will provide a demonstration effect for private employers.

The public sector can - and does - also bring about structural changes of a wide variety through the changed mix of its methods for providing public goods and services. Some of the temporary job creation schemes are remarkably different from regular public sector employment not only in the composition of the workforce but also in the conditions of management and work. Pursuit of this "third-sector" development could have far-reaching structural implications.

APPENDIX

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Table

EMPLOYMENT IN GENERAL GOVERNMENT

(thousands)

	1960	1961	1962	1963	1964	1965	1966	1967	1968
Australia	845	870	890	912	935	961	1,014	1,048	1,081
Austria	347	355	364	369	378	382	391	401	413
Belgium	405	408	424	437	448	459	472	483	489
Canada	..	..	..	..	..	..	1,255	1,319	1,387
Denmark	..	..	..	..	..	..	296	318	340
Finland	164	173	179	188	196	201	214	218	234
France	2,391	2,414	2,412	2,340	2,321	2,333	2,372	2,424	2,471
Germany	2,098	2,228	2,348	2,444	2,540	2,628	2,706	2,777	2,803
Ireland	..	..	..	..	..	..	..	..	..
Italy	1,633	1,688	1,759	1,823	1,880	1,912	1,945	1,991	2,032
Japan	..	..	..	..	..	..	..	..	..
Luxembourg	..	..	..	..	..	..	..	..	..
Netherlands	490	497	505	509	512	516	528	537	544
New Zealand	152	152	156	163	168	172	177	181	185
Norway	..	..	186	193	201	206	211	221	232
Portugal	136	145	123	133	140	150	161	173	186
Spain	..	..	..	..	833	785	801	817	793
Sweden	462	478	492	528	556	576	604	642	691
Switzerland	171	177	182	188	196	203	208	214	222
United Kingdom	3,972	3,643	3,708	3,778	3,859	3,947	4,078	4,236	4,329
United States	11,317	11,652	11,995	12,229	12,655	13,066	14,224	15,044	15,506

A1

IN OECD ECONOMIES, 1960-1979

1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
1,111	1,142	1,171	1,327	1,361	1,403	1,505	1,501	1,535	1,567	1,585
423	432	452	470	494	516	541	560	582	595	605
494	501									
	(513)	(524)	(538)	(550)	(564)	(573)	(593)	(605)	(634)	(669)
1,460	1,514	1,613	1,647	1,695	1,757	1,829				
362	384	412	440	473	506	(1,897)	(1,908)	(1,978)	(1,994)	(1,977)
						539	554	574	599	..
247	257	267	279	295	313	328	350	363	377	386
2,528	2,596	2,667	2,739	2,797	2,861	2,917	2,969	3,031	3,078	..
2,859	2,978	3,093	3,233	3,328	3,441	3,512	3,558	3,572	3,646	3,755
..	118	121	125	131	136	143	148	153	158	164
2,091	2,130	2,236	2,355	2,466	2,568	2,656	2,743	2,819	2,870	2,942
..	3,147	3,228	3,322	3,445	3,560	3,646	3,678	3,719	3,792	3,860
..	13	14	14	15	15	16	16	16	17	17
558	567	584	601	607	617	630	650	676	690	702
189	193	197	204	203	209	222	227	227	233	..
243	253	265	277	289	298	307	320	333	348	357
200	216	233	241	247	250	251	254	254	..	..
805	875	958	955	1,182	1,186	1,246	1,342	1,354	1,482	1,488
742	805	859	903	936	992	1,043	1,093	1,138	1,196	1,250
234	245	254	264	273	280	284	289	294	297	303
4,369	4,464	4,591	4,750	4,888	4,930	5,225	5,330	5,289	5,304	5,379
15,789	15,801	15,810	15,880	16,114	16,405	16,709	16,762	16,944	17,319	17,543

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SOURCE NOTES TO TABLE A1

Australia

Data supplied by national authorities and refer to mid-year totals derived from the Labour Force Survey.(1) The figures for Australian state and local government employees include all civilian employees, within Australia, of government bodies in services such as railways, road transport, banks, postal and telecommunications, air transport, education (including universities, colleges of advanced education, etc.), radio, television, police, public works, factories, marketing authorities, public hospitals (other than those run by charitable or religious organisations) and departmental hospitals and institutions, etc. There are two breaks in the series at 1966 and 1971. The 1966 break reflects a change in definition and adoption of new benchmarks whereas the 1971 break reflects the adoption of new benchmarks derived mainly from the 1971 population census. In addition, from June 1971, trainee teachers (about 24,000) were excluded from the labour force, and employees of public and board hospitals (about 118,000) were included in government employment (rather than private employment).

Austria

Estimates supplied to the Secretariat by the WIFO Institute.

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1. The data presented here are very close to the estimates of government employment from 1948 to 1977 presented in J.D. Stanford and P.M. Jackson, "The Growth of Public Sector Employment in the U.K. and Australia", (Paper presented to the Seventh Conference of Economists, Economic Society of Australia and New Zealand, Macquarie University, Sydney, 28 August- 1 September 1978). The only major differences appear to be (a) the Stanford and Jackson data exclude the armed forces from the government sector and (b) they have not been able to make as many adjustments to cope with the breaks in the series. Another series on public sector employment in Australia since 1901 is available in A. Bernard, N.G. Butlin and J.J. Pincus, "Public and Private Sector Employment in Australia, 1901-1974", Australian Economic Review, 1st Quarter 1977. The series presented there is based on a narrower definition of the public sector than is used in the national accounts, being solely concerned with the "direct appointive function" of government.

Belgium

UN/OECD National Accounts questionnaire. There is a break in the series at 1970 but figures for 1970 on both the old and new series were supplied.

Canada

Estimates supplied by Statistics Canada. The data on total employed by class of worker by industry for the period 1966 to 1971 are on a 1971 Census base; the period 1972 to 1975 is on a 1976 base while the period 1975 to 1979 is on a 1976 Census base and on the revised Labour Force Survey base. The numbers for the national accounts government sector have been derived from the total employed by class or worker by industry and can only be considered as rough approximations.(2) In general, what the Labour Force classifies as "government non-business" by industry has been added to the public administration industry. However, the Labour Force classification between government business and government non-business does not correspond to national accounts categories. For example, the Post Office is classified as non-business in the Labour Force, whereas it is classified as a government business enterprise in the national accounts. The government non-business portion in the transportation industry has not been included in the government sector estimates, since the Post Office would account for most of this. In the Labour Force, hospitals and similar institutions are classified as private government business and government non-business. In the national accounts, all hospitals, except those operated for profit, are classified to the government sector, while other similar institutions, such as nursing homes or homes for the aged, can be classified to the business, personal or government sectors. The total number of paid workers in hospitals has been included in government sector employment on the assumption that most of the employment would come under our definition of the government sector. There are also a number of small corporations and agencies

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2. For a detailed study of public sector employment growth in Canada since 1961 which draws on a wide variety of sources for the basic data, see Richard M. Bird in collaboration with Meyer W. Bucovetsky and David K. Foot, The Growth of Public Employment in Canada, Butterworth for Institute for Research on Public Policy, Toronto, 1979. Their best estimate of public sector employment in 1975 (excluding employment in public enterprises) is 1.915 million which compares very closely to the estimate of 1.897 million above in Table A1. The functional breakdown of these totals for 1975, however, does not correspond as well.

which are included under Labour Force government business and which should be included in the government sector, but for which no adjustment could be made. These estimates of government non-business education employees probably include some universities, but, again, no adjustment could be made.

Denmark

UN/OECD National Accounts questionnaire. Figures for full-time equivalents for the years 1975-1977 supplied directly by the national authorities.

Finland

UN/OECD National Accounts questionnaire.

France

Data on employment in non-market services for the years 1970-1978 are available in INSEE, Rapport sur les Comptes de la Nation. These data include producers of private non-profit services to households and domestic servants in addition to producers of government non-market services. Employment totals for government non-market services for the years 1970-1978 were supplied by the national authorities. Data for the years 1960-1969 were estimated by the Secretariat applying a grossing-up factor to the series on employment in public administration and defence in Eurostat, National Accounts 1961-71, 1972.

Germany

UN/OECD National Accounts questionnaire.

Ireland

Data on numbers employed in general government supplied to the Secretariat by the national statistical agency.

Italy

Data provided by ISTAT for employment in general government.

Japan

Data are taken from Economic Planning Agency, Annual Report on National Income Statistics (various issues).

Luxembourg

UN/OECD National Accounts questionnaire.

Netherlands

Data are in man-years: UN/OECD National Accounts questionnaire.

New Zealand

Data on public sector employment are taken from Table 13 - New Zealand Planning Council, Public Expenditure and its Financing: 1950-1979, June 1979.

Norway

Data are in man-years. Data for the years 1967-1979 are from UN/OECD National Accounts questionnaire while data for the years 1962-1966 were supplied by the national authorities.

Portugal

UN/OECD National Accounts questionnaire.

Spain

Data supplied by national statistical authorities. The data are based on the quarterly labour force survey and refer to the fourth quarter of each year.

Sweden

Data on the numbers in public sector employment together with total manhours worked in the public sector are taken from UN/OECD National Accounts questionnaire. Data on the total manhours worked by entrepreneurs and employees in the whole economy are taken from Table 98 in National Central Bureau of Statistics, Employment and Compensation of Employees, N1978: 8.4, Appendix 5.

Switzerland

Data are taken from "Statistique de la population active occupée en Suisse", Vie Economique, April 1980. For details on this series see Office fédéral de la statistique, Statistique de la population active occupée en Suisse. 62e fascicule des Contributions à la statistique suisse, Berne, 1980. Government employment was taken to comprise "Administration publique" (classe 81), "Instruction" (classe 83) and "Hygiène publique" (classe 85). Some private sector employment is included in the total for classe 83 but estimates supplied by the national authorities relating to the public-private split for 1960 and 1975 indicated that this source of bias is small. However, the private share in classe 85 is substantial. Estimates supplied by the national authorities for 1975 indicated that roughly 50 per cent of employment in this group is in the private sector. The Secretariat simply allocated half of the numbers employed in this group to the public sector in every year.

United Kingdom

Data are taken from the CSO, National Income and Expenditure, 1979: Economic Trends, February 1976; and M. Semple, "Employment in the public and private sectors 1961-78", Economic Trends, November 1979.

United States

UN/OECD National Accounts questionnaire. Data on full-time equivalents are taken from Bureau of Economic Analysis, The National Income and Product Accounts of the United States, 1929-74: Statistical Tables, U.S. Government Printing Office, Washington, 1977; and updated from various issues of the Survey of Current Business. These sources only provide data on full-time equivalents for employees. Each self-employed worker was assumed to be equal to one full-time equivalent.

EMPLOYMENT IN PUBLIC CORPORATIONS

Identifying the public sector with general government as pointed out in Section II, excludes many public corporations and nationalised industries from the coverage. Excluding this component of the public sector from the analysis raises two questions:

i) How large is the share of total employment typically accounted for by public corporations? and
ii) Has employment in public corporations behaved differently over time from employment in the rest of the public sector?

Unfortunately, it is not possible to give precise answers to these questions due to data limitations. Data on employment in public corporations were collected for ten countries from several different sources (see notes to Table A2). Moreover, it is clear from some of the original sources that there are comparability problems with these data which make inter-country comparisons especially fragile.(1)

With this caveat in mind, the data show that employment in public corporations typically accounts for a much smaller share of total employment than the general government sector. This is especially so in Denmark and the United States but it also appears to hold in Canada, France, the Netherlands, Norway and Sweden: in none of these latter countries did employment in public corporations in 1978 exceed 30 per cent of the level of employment in general government. However, employment in public corporations is a much more significant factor in Germany, Italy and the United Kingdom; indeed, employment in public corporations in Germany in 1978 was 54 per cent of employment in general government compared to 44 and 39 per cent, respectively, for Italy and the United Kingdom.

The data also shows no tendency for employment in public corporations to increase its share of total employment unlike the trend of general government employment over the same period. The share of employment in public

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1. For example, the current convention in the French national accounts only distinguishes a limited subset of public enterprises, what are termed "les grandes entreprises", from the rest of the private sector.

corporations remains relatively stable; the sole exceptions in this sample are France, Sweden and the United Kingdom. Sweden appears to be the only country where the employment share of public corporations has increased over the past decade. While the share of public corporations has declined slightly over the past two decades in France, it appears to have declined by one percentage point in the United Kingdom between 1961 and 1965 and then partially recovered over the subsequent period. However, the underlying trends are difficult to establish since the United Kingdom data are particularly affected over this period by transfers of activities from general government to the public corporations sector as well as nationalisation of some private sector industries.(2)

Finally, while the unweighted mean share of general government in total employment in 1978 for the ten countries in Table A2 was 19.1 per cent, the share of the total public sector (defined as general government plus public corporations) was 24.4 per cent.

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2. Examples of such hiving-off include the transfer of the Royal Ordnance Factories in 1974, the Royal Mint in 1975 and Property Services Agency in 1976. As for nationalisations, the public corporations sector was enlarged first in 1967 when much of the steel industry was nationalised and subsequently in 1977 when much of the aerospace and shipbuilding industries were taken into public ownership. The latter nationalisation added about 150,000 employees to the public corporations sector. See CSO, "Employment Analysed by Sector and Industry 1972-77", Economic Trends, January 1979.

Table A2

SHARE OF EMPLOYMENT IN PUBLIC CORPORATIONS IN TOTAL EMPLOYMENT FOR SELECTED COUNTRIES 1960-1979

Country	1960	1965	1970	1975	1978	1979
Canada	n.a.	4.3	4.3	4.5	4.6	4.2
Denmark	n.a.	n.a.	n.a.	3.3	3.3	n.a.
France[c]	5.1	5.0	4.6	4.4	4.3	4.3
Germany	n.a.	n.a.	7.7	8.0	7.8	7.8
Italy	n.a.	n.a.	4.9	6.4	6.3	6.3
Netherlands	n.a.	n.a.	3.5	3.4	4.0	4.0
Norway[a]	4.2[d]	4.1	4.1	4.2	4.2	n.a.
Sweden	n.a.	n.a.	6.6	7.7	8.2[e]	n.a.
United Kingdom	9.0[b]	8.0	8.2	8.2	8.3	8.2
United States	1.5	1.6	1.6	1.7	1.5	1.5

a) Data are in man-years.
b) 1961.
c) Includes only 8 large enterprises (les Charbonnages de France, EDF, GDF, la SNCF, la RATP, Air France, Air Inter and les PTT) which in 1969 accounted for about 60 per cent of the value added of public enterprises, as defined in 1962.
d) 1962.
e) 1977.

Sources:

Canada, Denmark, Norway, Sweden: Data supplied by national authorities:
France: INSEE, Economie et Statistique, September 1978;
Germany, Italy, the Netherlands: Centre Européen de l'Entreprise Publique, Evolution des entreprises publiques dans l'Europe des Neuf; Brussels, 1973; L'impact économique actuel des entreprises publiques dans la Communauté européeenne, Brussels, 1975; L'entreprise publique dans la Communauté économique européenne, Brussels, 1978;
United Kingdom: Economic Trends, February 1976 and November 1979 issues;
United States: UN/OECD National Accounts questionnaire.

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